incentive marketing

INCORPORATING incentive travel

MARCH 1982

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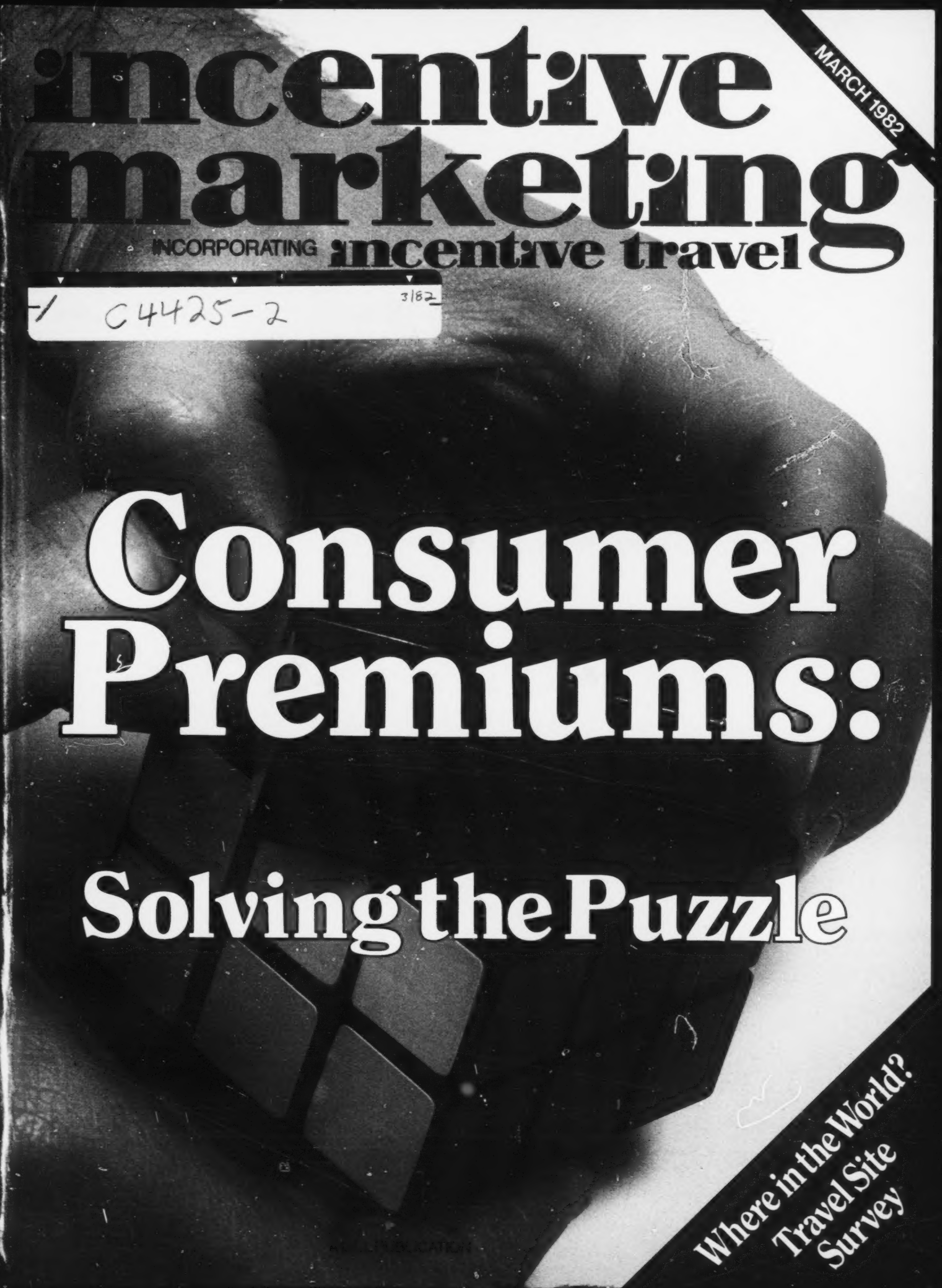

Consumer Premiums:

Solving the Puzzle

Where in the World? Travel Site Survey

[illegible] PUBLICATION

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March 1982

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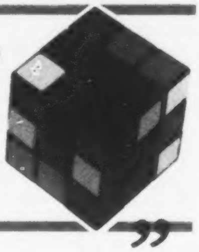
14 *SPEAKING OF INCENTIVES*—The ads and promotions of today are part of the legacy we leave to those of the future, says Richard Kane, president of Marden-Kane Inc., a nationwide full-service promotion agency, and author of the first in a series of articles by incentive professionals.

25 *CONSUMER PREMIUMS: SOLVING THE PUZZLE*—The Rubik's Cube is no challenge compared to the puzzle faced by today's marketers: what promotion will consumers respond to? While there's no right answer, a special IM reader survey makes solving the puzzle a little easier.

40 *WHERE IN THE WORLD?*—The results of an informal IM survey provide a handy rundown of the most popular incentive destinations, with Hawaii ranking as favorite domestic site, while Mexico tops the list of foreign destinations.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

> ***Marketers today face a Rubik's Cube of premium options and alternatives. What are they doing, and how is it working? A special IM reader survey offers some answers.***



Consumer Premiums:

Solving the Puzzle

If you were a consumer today—only a consumer, and not a marketer—what promotion, or combination of promotions, would you respond to?

Answering that question may be more difficult today than at any time in the recent past. The marketer today faces a Rubik's Cube of promotional alternatives and options—discount pricing, cents-off coupons, self-liquidators, direct premiums, sweepstakes, etc., etc. All have a place in today's complex marketing plan, but putting them all together in a pattern that makes sense can make solving the Rubik's Cube look like a momentary diversion.

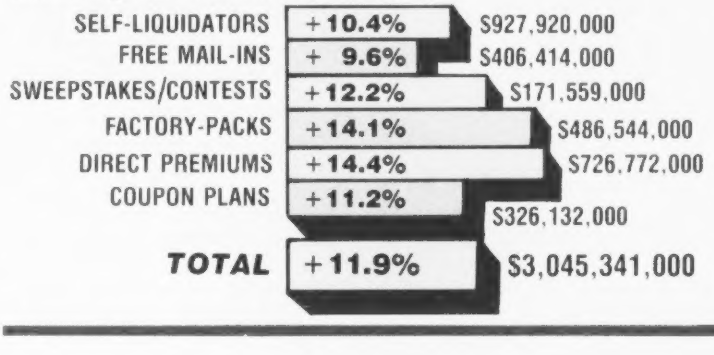
Unlike the cube, however, there is no single right answer to this puzzle. But patterns and trends do emerge, and one is that premiums continue to play a vital role in marketing to consumers.

In all, American companies will probably spend something like $3-billion for manufacturer or wholesaler premium promotion aimed at the consumer, and another $2-billion will flow from the retail channels this year.

That picture—representing around a 12 percent increase in consumer premium spending—emerges from **IM's FACTS** Census Survey and supplementary studies. Incentive users, generally, are bullish, in spite of the odd economy they face in 1982.

Above-average growth is expected in direct premium types which put the emphasis on the incentive when the sale is made—perhaps mirroring the much-discussed shift toward "instant gratification" in the consumer mind.

Mail-in promotions look rela-



CONSUMER PREMIUM OUTLOOK

Amount of growth forecast for 1982

tively sluggish for this year, with self-liquidators expected to rise only 10.4 percent, and free mail-in offers even duller at 9.6 percent expansion rate.

These percentages reflect the projections in **IM's FACTS** forecasts (Feb. 1982 issue)—and are reinforced by more recent special surveys among consumer incentive users.

We conducted two follow-up surveys this year, with slightly different questionnaires. The first was comparable with our special surveys in the past two years. The second was varied to elicit more information specifically related to mail-in promotion types.

Approximately 300 questionnaires were mailed to each group, and just under 100 of each group responded. These 163 companies provided a more thorough view of the consumer premium field than we have had in several years.

Their responses generally confirmed the broader Census Survey—with one exception. The Census reports had shown a degree of disaffection with the free mail-in offer, with a 9.6 percent increase in expenditures this year.

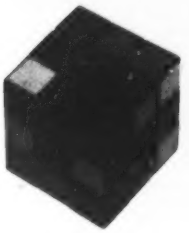
The special survey suggests the final result could be quite a bit bleaker. Some 28 percent of all reporting companies said they used this type of promotion in 1981. But half of those companies told us they do not intend to employ free mail offers this year—in a response tabulated in December and January, as compared with the earlier estimates.

Free-in-the-mail offers have enjoyed a meteoric rise during the past decade. In 1967, the first **FACTS** survey estimated usage at $36-million. By 1977, it had risen to $263-million—and this year is projected at $406-million.

This new technique—actually a revival of the promotions of the 1930s that preceded the growth of the self-liquidator—roared in on a wave of multiple-purchase offers. Here was a way to get the consumer to save 10, 20, 50, 100 purchase tokens from your product—to force relatively long-term product loyalty and continued patronage.

What do you consider the major benefit of premiums in marketing to consumers?

- Product-image building—brand name out in front of the consumers. — *William J. Schmidt, Pabst Brewing Co.*
- Allows use of promotional hype in the media—provides "sizzle." — *W.S. Jack, Ford Parts & Service Division.*
- Adds a unique selling benefit to the generic-type product without eroding profits. — *Thomas G. Faludy, Carefree of Colorado.*
- If the consumer receives a usable item promptly, it helps "push them over the edge" to buy our product. — *Newspaper.*
- "Free" with purchase of a set quantity—the magic appeal of the word "Free." — *John LaRosa, New England Toyota Distributors.*
- We believe instant gratification is a better sales-builder than mail-in, proof-of-purchase seal type of reduced purchase. — *Soft-drink vending company.*
- Increased sales, helps field force sell, something to talk about. — *Tom Kemper, Maremont Corp.*
- In our industry it is to increase the store traffic and sales per consumer for our customer, the baker. — *Cynthia Levine, DCA Co.*
- The use of premiums for marketing our product gives us an edge over competitors of similar quality and pricing. — *Lee Johnson, Pirelli Sales Inc.*
- Increases sales—gain additional market share. — *Automotive parts manufacturer.*
- A premium gets the consumer's attention—nothing more!! —*Thomas Masterson, Tappan Co.*
- Creating interest in product lines—premiums offer a vehicle by which a company can vary the method of promotion to the consumer to meet seasonal demands and maintain interest in the products. — *Oil Company.*
- One tied directly to our product use—e.g., bread pans for yeast, and cookbooks—appeals to both competitive and loyal brand users, and pays off in increased product purchase and use. — *Neil Reay, Universal Foods Corp.*
- Value. — *W.A. Smith, Wix Corp.*



But the concept of the free mail-in has changed. No longer are large multiple proofs of purchase required—the average reported in this survey is 3.8, and the median only two.

The free-in-the-mail premium is expensive—and it becomes more so if multiple purchases are not forced. The uncertainties of our economy today—forced home on respondents in recent months—may be hacking away at the concept more than original reports suggested. Budgetary uncertainty—an almost unavoidable by-product of this type of promotion—is increasingly distasteful in 1982.

The only form of consumer promotion to show less vitality in the 1982 projections than free mail-ins is the trading stamp, seen as rising by 9.3 percent this year, to a level of $515-million. But this is a distinct improvement over last year, when some major stamp drops led to a dollar gain of only 2.8 percent over the previous year's level—following five years of steady comeback from the low point in 1975.

Trading stamps are, of course, primarily a retail promotional device, and the total of retail activity this year is expected to be about on a par with the overall trend in consumer promotion—up 12.2 percent to a total of $2,158,000,000, thanks to a 13.1 percent growth rate in retail promotion other than stamps—continuities, tape plans, games & sweepstakes.

The effectiveness of consumer incentives in achieving a variety of objectives was part of our latest Census survey questionnaire—the first time since 1979 that a full measure of users' ratings of the technique has been taken. The question (reported in **IM FACTS** issue, Dec. 1981) related only to those users whose products are sold through supermarkets.

The free mail-in offer, which half its 1981 users plan to drop this year, according to our special survey, was shown to have the largest number of supporters of any category—47 percent considering it most effective in sampling new users. Yet only 14 percent rated it superior in cost-effectiveness. At the same time, the Census estimates showed expenditures for free offers rising by a modest 9.6 percent this year. It is difficult to understand how even this small increase can be realized if half the users drop the technique. This must represent a sharp change of direction by users since last year's Census estimates—or an atypical representation of these users in the small special-survey sample.

Self-liquidators did not score high marks in any single objective—the maximum being 23 percent who like it for getting repeat purchases; it ranked second in this respect behind the coupon plan. But the liquidator is the undisputed champion premium type for cost-effectiveness—cited by 38 percent of those who use it.

For comparison, the survey included a rating of cents-off coupons as well as six premium types. In general, about one-third of the respondents considered discount coupons more effective than any single premium technique—and they scored highest for cost-effectiveness, 41 percent. Coupons also outstripped any one form of premium in four objectives: Good will among old users, 37 percent; sell-in to dealers, 36 percent; sales talking point, 37 percent; and repeat purchases, 46 percent.

Among high-scoring premium promotions, sweepstakes topped

WHEATIES
General Mills
CRISPY CRUNCHY WHOLE WHEAT FLAKES
HEAVY DUTY
DUZ
DETERGENT
FREE!
FREE INSIDE
AQUA VELVA
Royal Heritage
Cracker Jack.

Factory-packs—perhaps the most complicated premiums to develop and execute—were named in a recent IM survey as the "most effective" premiums for placing store displays and gaining shelf attention. Spending should be up about 14% this year.

"March and October are the most popular months in which to start consumer premium promotions, picked by 23%."

the list with 40 percent favoring them to gain ad readership. Direct premiums and the related factory-packs ran ahead of the field in two categories each. Direct premiums were considered tops by 31 percent for sell-in to dealers, and 23 percent as a sales talking point. The on-pack, in-pack and container premiums were voted most effective by 32 percent for obtaining store displays and by 35 percent in getting shelf attention.

IM's special surveys offer a close-up look at the practices and results achieved by consumer premium users in today's market.

The 163 firms responding in the special surveys use an average of almost 2½ types of consumer incentives, with direct premiums the front-runner, as usual, employed by 60 percent.

Sweepstakes are favored by 33 percent and self-liquidators by 32 percent. Both point-of-sale self-liquidators and free mail-ins figure in the plans of 28 percent; 25 percent use traffic builders; 20 percent coupon plans; and 11 percent factory-packs.

In most cases their intentions are to use about the same mix in 1982 as they did last year, except in free mail-ins where, as mentioned above, half plan to drop the method. The only other significant shift is in point-of-sale liquidators, with about 5 percent fewer firms planning them this year than last.

In the area of sales-increase expectations, executives responding said they look for an average gain of 14.3 percent from a mail-in promotion, and 22.5 percent for a point-of-sale offer. The median figure in each case was 10 percent sales growth. Last year, the median for all mail offers was the same, 10 percent, but point-of-sale promotions were at 15 percent. Last year's arithmetic averages were 15.4 percent and 22.9 percent.

While the store-promotion averages are close together, the difference in the median figures shows there were more high-increase results a year ago than among the present surveyed executives. Not only was 10 percent the median result this year, but it was by far the most frequent response for both promotion types.

We asked one group what objectives they target in their mail-in promotions. They indicated, on the average, more than three goals each, in the following order:

Encourage repeat purchases	61%
Sample new users	49%
Induce dealers to stock	41%
Give sales force talking point	37%
Goodwill among existing customers	34%
Increase use of store displays	29%
Gain attention on shelf	29%
Build interest in consumer ads	25%
*Add interest to trade ads	14%
*Dramatize product feature	14%

**not included in previous survey*

To achieve these objectives, about two-thirds of the users employ some form of media advertising. Most-advertised is the direct premium, mentioned by 43 percent of all companies reporting in one survey.

The incidence of ad expenditure then drops off sharply in percentage of all users, because of the smaller number of users of any one type. The next highest are self-liquidators and traffic-builders, both at 19 percent and free mail-in offers at 18 percent.

In terms of media used, point-of-purchase display is the big winner, favored by 60 percent of mail-in

Games & sweepstakes continue as a highly visible promotion technique. Spending should be up about 12%, as more marketers adapt their packages and products to in-pack and instant winner games.

Coffee Cake Jr.
WHEAT Chex
Ralston Purina
Pillsbury's BEST
All Purpose Enriched Flour
Over $100,000 in
BORDEN

users. The percentage reporting use of each listed medium was:

Point-of-purchase	60%
Consumer magazines	41%
On-package blurbs	33%
Newspaper supplement	30%
TV/radio	23%
Bouncebacks	20%
Direct-mail	19%

We also asked one group for information on their media budgets. Women's magazines were the top dollar gainer among these marketers, with network television a fair second and the others trailing. Average expenditure among those reporting their budgets was as follows:

Women's magazines	$375,000
Network televison	150,000
Special-interest magazines	72,700
Point-of-purchase	50,200
Sunday supplements	40,300
Trade publications	29,050
Direct-mail (trade)	25,750
*Outdoor	25,000
Daily newspapers	20,661
Direct-mail (consumer)	17,600
General magazines	12,500
Spot television	6,400
Weekly newspapers	6,300
Radio	5,057
Newspaper comics (no report)	—
Other media, unspecified	34,790

**One report*

In creating the ads, the users indicated that, on average, they devote about 38 percent of print advertising and 25 percent of broadcast time to the premium or sweepstakes.

Display materials, the most common vehicle for mail-in promotions, are used, on the average, by 60 percent of the retailer customers of these executives. They find this is an increase over non-promotion periods, ranging from 13 percent for sweepstakes to 28 percent on factory-packs.

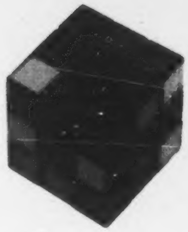
Their estimates of display gain with self-liquidators—despite the fact that this is often a major goal—show an average of only 14 percent. Free mail-ins, they tell us, bring a 23 percent gain, while direct premiums result in a 24 percent extra display usage. Coupon plans and traffic-builders boost display by 25 percent and 27 percent respectively. Discount coupons, the ubiquitous alternative, bring a 21 percent display gain for the average of these marketers.

When does the advertising break—is there a major pattern in the timing of consumer promotions? "In what months do you normally break the offer to consumers?" we asked.

March and October came up strong, with 23 percent of these

Why Consumer Premiums? Because They Can . . .

1. Generate retail store traffic.
2. Increase consumer purchase frequency.
3. Switch consumers to another size product.
4. Introduce a new product.
5. Introduce product into a new territory.
6. Introduce new advertising campaign.
7. Introduce new use for an existing product.
8. Place additional store displays.
9. Attract consumer attention to store shelf.
10. Give salesperson a talking point.
11. Enhance customer goodwill.
12. Sample new users.
13. Dramatize a new product feature.
14. Bring increased attention to advertising.
15. Provide a change-of-pace promotion.
16. Build interest in on-going promotions.
17. Introduce product to a new demographic market.
18. Counter competitive promotions.
19. Increase the purchase unit.
20. Induce off-season sales.
21. Boost sale of slow-moving products.
22. Stimulate trade purchases.
23. Dramatize new product formula or benefit.
24. Obtain trade support.
25. Provide hook for ad copy.
26. Extend advertising impact.
27. Catch the attention of prospects.
28. Provide a visible plus at point-of-sale.
29. Add excitement to store displays.
30. Provide opportunity for on-package blurb.
31. Increase perceived value of product.
32. Add unexpected element.
33. Build consumer continuity of purchase.
34. Obtain a prospect list.
35. Test advertising media.
36. Reach adults through their children.
37. Rub-off value of premium on product.
38. Strengthen a tie-in promotion with other brands.
39. Overlay a cents-off promotion.
40. Prompt faster payment.
41. Close the sale.



"The free mail-in could face a rough year. Half the companies which reported using them last year have dropped them from plans for 1982. Budgetary uncertainty, an inevitable part of the free mail-in, may be squeezing it out."

users launching their promotions in each month. Second-choice periods, each favored by 17 percent of the respondents, are January, April, May, and September. February runs next, at 15 percent, and the remaining months range from July (8 percent) to November (11 percent).

Whatever the mechanics, the major decision in a consumer premium offer is the choice of the item—and 52 percent of these users say the "wrong item" is the greatest cause of promotion failure.

Wrong timing is a fair second, mentioned by 39 percent. Right behind—improper promotion, blamed for 38 percent of failures. Down the line, they consider weak performance in consumer incentives traceable to improper planning, 33 percent; wrong pricing, 30 percent; poor-quality premium, 25 percent; lack of relation, 15 percent; and competitive promotion, 9 percent.

It is interesting that only 15 percent consider "lack of relation" a cause of promotion failure—while 29 percent of these executives say they always seek premiums related in use to their products. Another 61 percent said they "sometimes" try for such a relationship, and 10 percent consider the matter unimportant. A cousin of this decision point—customized premiums—is favored by slightly fewer of the users. About 25 percent always plan for custom items, while 59 percent sometimes do so—and 16 percent do not care about customization.

Related or not, custom or off-the-shelf, the premium has to bring consumer response. We asked users for their experience with three types of offers—self-liquidators under $10, higher-priced liquidators, and free mail-in offers—and broke down the response by four classes of media—print, broadcast, package, and display. The average reported was 18 responses per 1000 impressions, or 1.8 percent.

For the best response, free mail-ins have a bit of an edge in print media, at an average of 26 per thousand. The weakest response is 11 per thousand for package advertising of self-liquidators over $10.

In the self-liquidator category, the reports bear out the users' answers to another question: "At what price point do you find what you consider a significant fall-off in consumer response?" The average of the users' responses was $11.35, but the median was $10.

The actual reports of consumer response for the four classes of media listed showed an average per-thousand-ad-exposure of 20 for self-liquidators under $10. For offers at $10 or more, the average was 17 responses.

Users of self-liquidators are still keeping a majority of their offers under that $10 point. Although the average of all prices reported was $13.34, the median was $9.

There has been a sharp upturn in the prices of self-liquidators, as compared with a year ago—when the median was only $5.50. The shift is seen most clearly in the movement at both ends of the price scale. The number of offers at $1 or less has dropped to half the 1981 level, and promotions featuring items at $20 or more have doubled. The range of pricing in the latest surveys is 50-cents to $180.

The most common range, this year as last, remains $5-to-$9.99. But the shift to higher pricing is

Biggest trend in mail-in self-liquidators is continuing escalation of prices to the consumer. 42% of survey group ran offers priced at $10 or more last year, and median price hit $9.

REGULAR
LOG CABIN
FREE
Hefty
Lawn and Leaf Bags
10
Swiss Miss

"Do premiums help sales? Yes, says this group. They look for a 14% boost from mail-in programs, and a 22% gain when the offer is made at the point of sale."

unmistakable among these executives. Here is how their pricing of self-liquidators compares with a similar group one year ago:

Price Range	*% of Offers*	
	'81	*'82*
$1 or less	16%	8%
$1.01 to $4.99	27%	23%
$5 to $9.99	30%	27%
$10 to $19.99	17%	20%
$20 or more	10%	22%

In most cases—76 percent of users—these prices are true liquidating amounts, with postage & handling included. The other 24 percent, however, state "postage & handling" as a separate item above the quoted consumer price.

Only 51 percent indicated the consumer price covers the full cost. The other 49 percent said they subsidize the offers by an average of 36 percent of the total.

In their physical handling of mail-in premiums, almost half of these users—49 percent—say they process, mail, and fulfill the offers in-house. Professional fulfillment houses are employed by 28 percent, and 25 percent count on suppliers to handle mail and dropship. Another 18 percent process the incoming mail through the label stage, and then forward labels to a fulfillment house or supplier for shipment of merchandise. The total exceeds 100 percent because of multiple practices.

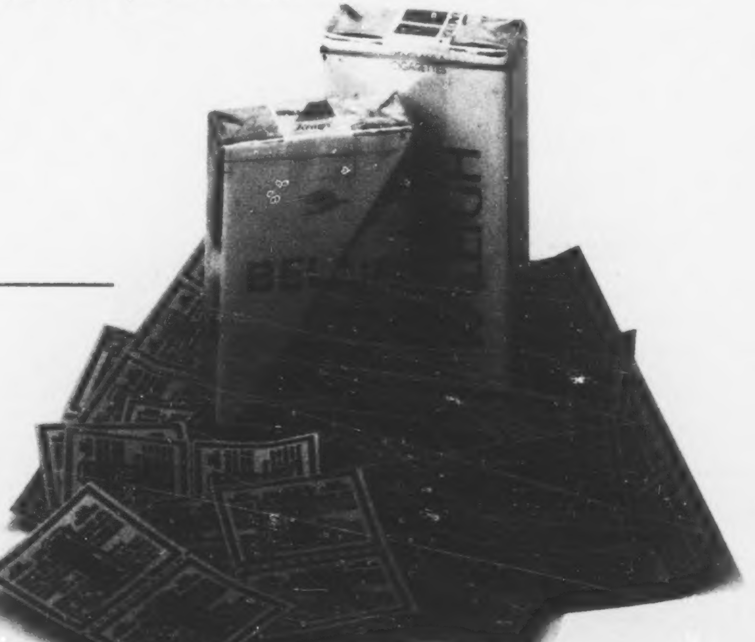
Mail-in offers—both self-liquidating and free—are frequently subject to testing by these users. In this survey 38 percent of the respondents who use them said they test their liquidators, and 30 percent test free premiums. It may seem an enigma that with the free offer, in which the financial risk is obviously greater, there is less testing than with the self-liquidating type.

Personal interviews remain the favorite test of consumer appeal, preferred by 42 percent of those who test. All other methods are far behind among these users: mail questionnaire or ballot, 15 percent; mailing of a single-item offer, 12 percent; consumer panel, 7 percent; package inserts, newspaper split-run and store-panel tests, 6 percent each; bounce-back, 4 percent; and other methods, 2 percent.

Part of the deterrent to more testing has always been the lack of accuracy in test results. If a test is to have meaning, it must first—in most cases—show consumer acceptance of a given premium in relation to a control item or items with a track record. But, secondly, it should help the user gauge the quantity of merchandise needed to fulfill the offer.

When a degree of accuracy cannot be achieved, and with the constantly increasing cost of all test methods, there is a tendency to trust seat-of-the-pants evaluation more.

There seems to have been some slippage in accuracy, after a trend to improvement for a couple of years. Until our survey of 1980, the average accuracy rates ranged from plus or minus 25 to 30 percent. In 1980, users reported ±17



Coupon plans, paced by classics such as Raleigh/Belair and Betty Crocker, continue to hold a steady place in premium plans. Overall spending should be up about 11% this year.

Circle No. 116 on Buyer Action Card→

Direct premiums, offered immediately at the point of sale, are a mainstay for many companies. Recent programs from Dunkin' Donuts include Libbey Glass jars and Thermos coffee containers.

percent, and last year the comparable result was ±18 percent. In the present survey group, the variation has widened to ±20 percent, still better than was found a few years ago. The accuracy question concerned "forecasting the number of responses and promotion results."

A year ago, 75 percent of the surveyed readers told IM they were satisfied with the degree of accuracy their tests produced. There is a bit more discontent in the present group, with 66 percent saying they are satisfied with the results.

A major factor in most premium selection plans—excepting perhaps the self-liquidator—is the premium cost as a percentage of the retail purchases needed to qualify for it.

With free mail-in offers, the special-survey respondents in 1980 indicated they spent a median of 10 percent of the required purchases for the incentive item—if the consumer had to spend $2 for the product, there was 20 cents to go toward the premium. This figure dropped to 5 percent last year, but has climbed back to 9 percent among the respondents in the 1982 study.

The free mail-in has some advantage, as has the liquidator, in the lethargy factor which suggests that only a minority of people moved to purchase a product by the offer will actually bother to respond and obtain the premium.

No such advantage applies to the factory-pack, however. If the premium is attached to every product unit shipped during a given promotion period, the cost is 100 percent. Yet the surveyed executives say they are spending a median of 10 percent of purchase price for factory-pack premiums—on-packs, in-packs, and container premiums. The cost figure was the same two years ago, but dropped to 8 percent with the 1981 special-survey group.

Cost, however, may not be the most important question in consumer promotion this year. Perhaps, for many users, "Will it work?" is a more basic question.

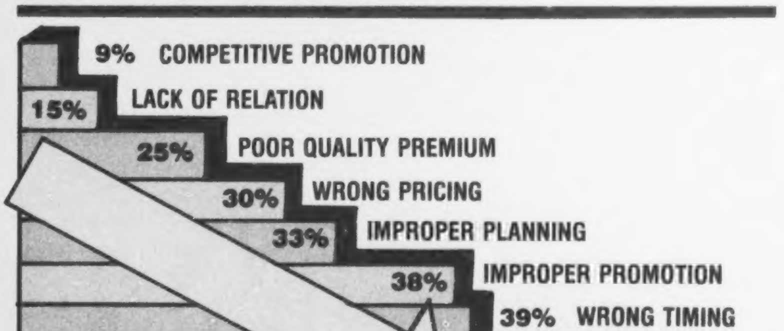
An economy in recession, inflation slowed but not beaten, rising unemployment—and, apparently, no early sign of a significant upturn—all of these elements put a heavy burden on any marketing effort.

Incentives of all types have the potential to combat such negative economic factors—to a degree. The question for 1982 remains, can consumer incentives provide enough power to get the job done?

IM's forecast figures have shown somewhat more marketers are applying the incentive stimulus at the trade levels—and, particularly, with the sales force.

Many smart marketers are moving at both distribution levels, for maximum effort to get their share of the business that will exist. The next few months may find them among the real winners. ■

WHY PROMOTIONS FAIL



Where in the World?

Almost everywhere! But old favorites are still popular

Hawaii was the top destination for incentive travel groups choosing to stay inside US territory last year, while Mexico was the number one choice of those venturing beyond the border.

Those are the results, admittedly unscientific, of an informal survey **Incentive Marketing** has been running for the last few months, in an effort to determine the most-visited sites for incentive groups.

During the last half of 1981, **IM** tracked incentive trips mentioned in trade magazines serving various industries, or mentioned during interviews with buyers. In that period, a total of 251 incentive trips were recorded.

This was not, of course, the total number of incentive travel programs run or announced in the last half of 1981. But we think it does give a rough ordering of the destinations which incentive buyers are choosing.

Just over 60 percent of the trips recorded were to domestic sites, including Hawaii, Puerto Rico, and the US Virgin Islands. The other 40 percent went outside the country to various destinations.

It was not possible to establish the number of people involved in all trips, or how much money was spent. But an earlier **IM** survey, done in mid-1981, found about 58 percent of the money spent on incentive travel goes into programs using overseas sites, and the other 42 percent stays in the US. American business is expected to spend $1.2 billion on incentive travel this year, about an 11 percent increase over 1981.

The earlier **IM** survey found a domestic/overseas breakdown roughly comparable to this survey, with 53 percent of the users responding reporting trips to domestic sites, and the remainder going outside the country.

IM has been informally polling travel buyers on site preferences since 1972. That year, the top sites named by buyers were Mexico, Spain, the Bahamas, Hawaii, and Nevada. ■

Photo, Finnair

DOMESTIC TRIPS

- 34 **Hawaii**
  - 4 Maui
- 19 **Nevada**
  - 15 Las Vegas
  - 4 Reno
- 11 **Florida**
  - 2 Boca Raton
- 4 **US Virgin Islands**
- 4 **Missouri**
- 3 **California**
  - 2 San Francisco
  - 1 San Diego
- 3 **Colorado**
- 3 **New York**
- 2 **Georgia**
- 2 **Louisiana**
- 2 **Wyoming**
- 1 **Arizona**
- 1 **Indianapolis 500**
- 1 **Pennsylvania**
- 1 **Texas**
- 1 **Virginia**

FOREIGN TRIPS

- 21 **Mexico**
  - 14 Acapulco
  - 2 Cancun
  - 2 Puerto Vallarta
  - 1 Ixtapa
- 19 **Bahamas**
  - 4 Paradise Island
- 10 **Switzerland**
- 8 **Brazil**
- 8 **Spain**
- 6 **Canada**
  - 3 Vancouver
  - 1 British Columbia
  - 1 Montreal
- 6 **France**
- 6 **Ireland**
- 5 **Great Britain**
- 4 **Germany**
  - 3 Munich
- 3 **Denmark**
- 3 **Yugoslavia**
- 2 **Bermuda**
- 2 **Dominican Republic**
- 2 **Italy**
- 2 **Jamaica**
- 2 **Japan**
- 2 **Hong Kong**
- 2 **Netherlands**
- 2 **Tahiti**
- 1 **Australia**
- 1 **Austria**
- 1 **Finland**
- 1 **Greece**
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Dealer Incentives '82

'FACTS' Reader Survey

Oldsmobile's Tahiti Odyssey: Memories for a Lifetime

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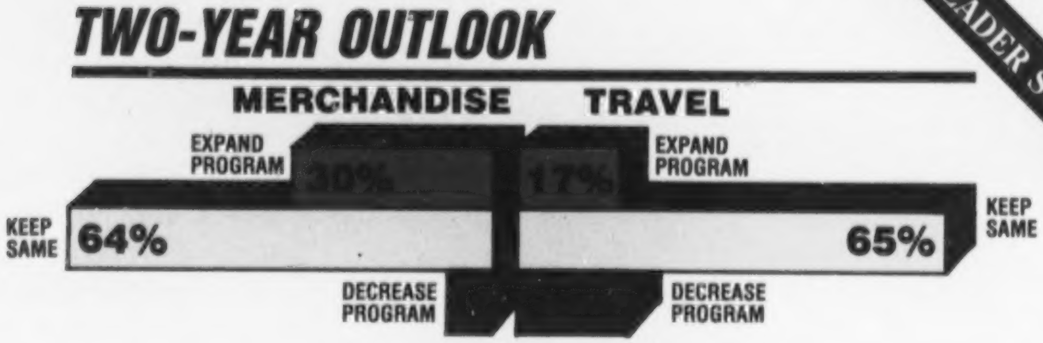
'FACTS' READER SURVEY



Dealer Incentives '82

Motivating the middleman continues to be a high priority for many American businesses in 1982, but incentive promotion to dealers will also feel the effects of recession, a special **Incentive Marketing** "FACTS" survey indicates.

From the special survey of readers, done last fall, these trends emerge about the state of dealer incentive promotion in 1982:

- Total spending by American business should increase about 11.7 percent this year, bringing the field to a record $1,998,069,000. While impressive under current conditions, growth will fall far short of the 15 percent posted in 1981.
- Buyers are increasingly cautious about future expansion of their dealer incentive programs. About two-thirds plan to continue merchandise & travel promotion at last year's level—a good sign—but far fewer now plan increases than did a year ago.
- Growth among the major industry users of dealer incentives is slowing. The three largest users—Automotive Aftermarket, Farm Equipment, Autos & Trucks—posted minimum spending increases last year, and seem likely to continue that pattern in 1982. Electronics, Radio & TV seems to be the healthiest major industry user.
- Award costs are moving up slowly at best. Median cost for merchandise awards is still $50, for the fourth year in a row. Median cost for travel awards jumped. After stalling at $1000, it moves to $1200.
- Despite problems, users consider dealer incentives an effective promotion device. This special survey group reports sales increases running 17-20 percent during the last three years, at a cost of about 8.8 percent of affected sales.

Spending on dealer incentive promotion has posted a somewhat erratic record over the last few years. But marketers have shown signs of moving away from the old "dealer loader" mentality, and assigning dealer incentives a more sophisticated role in their plans.

The total field grew about 15 percent in 1981, bringing it to a record $1,788,805,000. Of this, 74 percent went into merchandise awards, and the remaining 26 percent was spent on dealer travel.

Taken from a long-term perspective, the growth rates for both types of promotion have been pretty equal. But the growth has seldom come in the same year for both sides. Thus, while spending on merchandise awards was up 15 percent in 1979, travel moved ahead just nine percent. The following year, a reverse—travel up 12 percent, merchandise up 10 percent. Last year, both moved ahead about 15 percent.

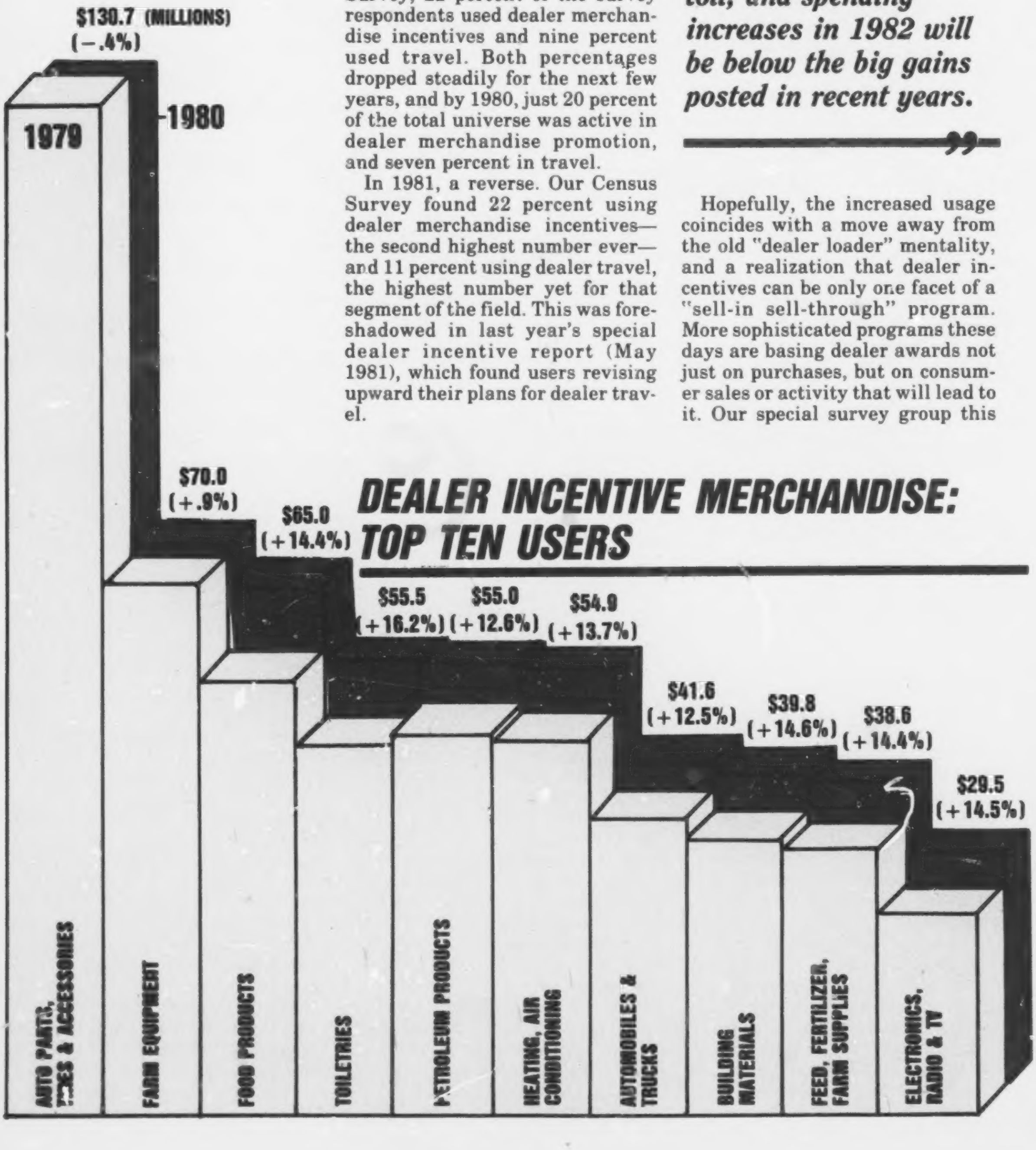
More encouraging is that in 1981, for the first time since 1977, dealer incentive users as a percentage of the total incentive universe increased.

In the 1977 "FACTS" Census Survey, 22 percent of the survey respondents used dealer merchandise incentives and nine percent used travel. Both percentages dropped steadily for the next few years, and by 1980, just 20 percent of the total universe was active in dealer merchandise promotion, and seven percent in travel.

In 1981, a reverse. Our Census Survey found 22 percent using dealer merchandise incentives—the second highest number ever—and 11 percent using dealer travel, the highest number yet for that segment of the field. This was foreshadowed in last year's special dealer incentive report (May 1981), which found users revising upward their plans for dealer travel.

> *"A special IM reader survey finds sales gains holding up, and dealer participation at good levels. But economic woes are taking their toll, and spending increases in 1982 will be below the big gains posted in recent years."*

Hopefully, the increased usage coincides with a move away from the old "dealer loader" mentality, and a realization that dealer incentives can be only one facet of a "sell-in sell-through" program. More sophisticated programs these days are basing dealer awards not just on purchases, but on consumer sales or activity that will lead to it. Our special survey group this



DEALER INCENTIVE MERCHANDISE: TOP TEN USERS

> *“Buying patterns changed in this survey. More users are dealing directly with merchandise manufacturers, and fewer with jobbers, reps, or full-service incentive companies.”*

year provides some statistical evidence indicating this approach is growing.

If you are a typical user of dealer incentives today, as represented by our survey sample, you will spend about $182,500 this year, most of it directed at wholesalers or commercial dealers, rather than retail stores.

You'll hope it brings you a 17 percent increase in sales during a campaign period, and you expect to spend 12 percent of the incremental sales for the program. You plan to keep your dealer incentive program at about the same level for the next two years. You're getting better participation by dealers than in the past, and it's costing you only slightly more in unit expenditures for awards.

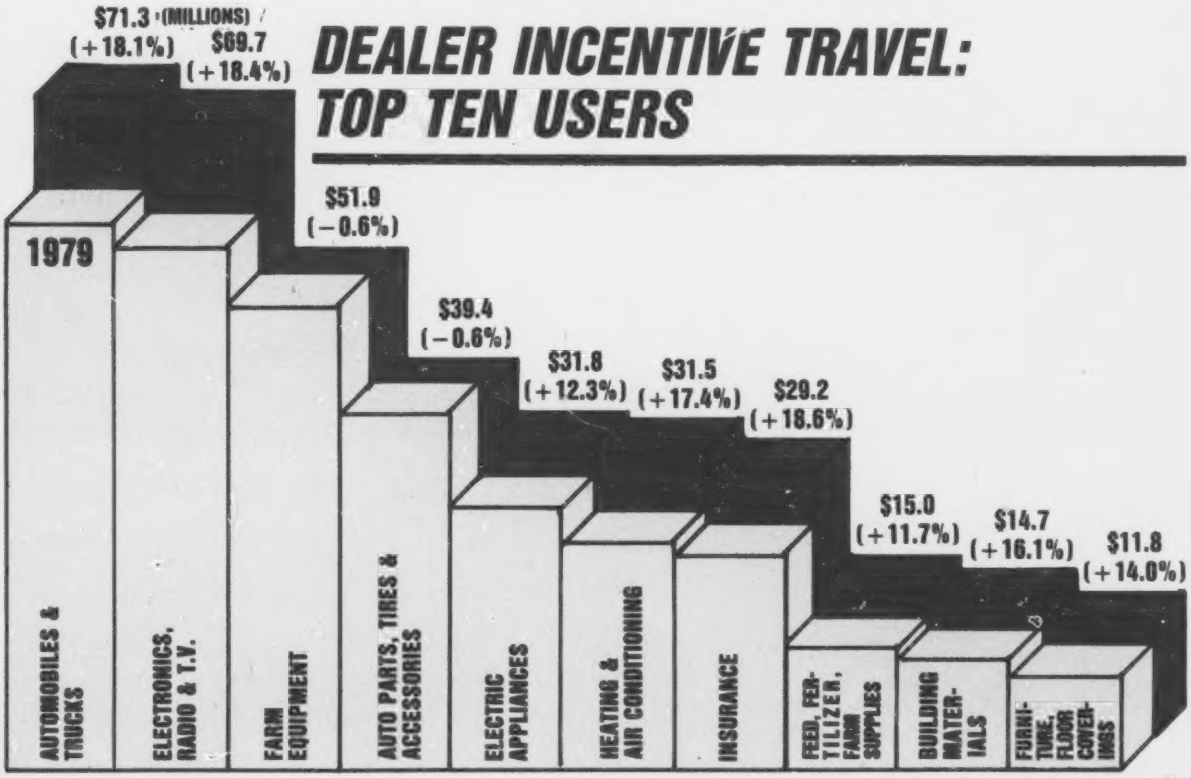
The $182,500 average expenditure planned by these surveyed companies is up from the $154,000 reported two years ago, and from the unusually low $99,630 in last year's special study. All figures are somewhat above the average of dealer incentive users covered in the more general FACTS Census surveys, since relatively larger users are intentionally selected for the special surveys, because of the greater experience they can bring to other elements of the special questionnaire.

Year-to-year comparisons with other special survey groups, and with the Census survey respondents, indicate this group is a pretty accurate microcosm of the dealer incentive universe. It continues some trends established in the past—and breaks some new ground, which may show up in later surveys.

In the type of incentive promotions used, for example. There are five major types of dealer incentive promotion, each with its own strengths and weaknesses.

Special deals or volume assortments are the most-used dealer incentive. In this technique, the dealer is offered a premium, or several premiums, for the purchase of a specified product assortment. This is the basic dealer incentive, quickly put together and promoted. But the percentage of users relying on this technique has dropped over the years, from a high of 80 percent a decade ago, to 73 percent last year, and 65 per-

DEALER INCENTIVE TRAVEL: TOP TEN USERS



> ***"Length of the average travel contest is dramatically shorter this year, reflecting the growing popularity of regional trips and individual travel awards for dealers."***

cent in this special group.

Display incentives for dealers are frequently tied to consumer premium offers, with the same item doing both jobs for the promotion sponsor. This technique evolved as a means of securing store displays. Its popularity appears to have suffered in recent years, perhaps as more marketers seek to do an end-run on the retailer and promote directly to the consumer. Last year, 24 percent of the survey group used display incentives. This year, the lowest level in recent surveys—13 percent.

Contests & sweepstakes for dealers are a perennial favorite with about one-third of every survey group, and this year is no exception.

Coupon plans for dealers are another area showing long-term decline, with just eight percent of this survey group reporting usage. A decade ago, 19 percent of users went this route. The decline might be attributed to two factors. First, marketers may be opting for short-term promotions that offer more flexibility. Second, the growing popularity of the travel incentive. If a dealer is going to save box tops, flaps, or whatever over a long period of time, it's relatively easy to switch to a travel incentive program.

Travel incentives have become more widely used as dealer incentives, with 38 percent of this special survey group reporting usage.

Who are the targets for all this dealer promotion? The 143 companies responding to this year's special survey offer a mixture similar to past groups.

Wholesalers & distributors are always first choice, favored by 47 percent of this year's survey group. Commercial & industrial dealers are promotion targets for 25 percent; service contractors for 11 percent.

Clearly also-rans are consumer-oriented retail outlets. Just 10 percent promote via incentives to variety & department stores, and eight percent go to retail stores & drug stores. Only five percent promote to service stations.

What they are trying to promote is, of course, increased sales. But when we ask survey respondents about more specific goals, some modest trends emerge this year.

Survey respondents are offered a checklist of nine promotion objectives. Most responses this year are within a few percentage points of previous surveys, but there are two exceptions: the goals of building dealer traffic and obtaining store displays. Two years ago, both goals scored in the 23 percent range.

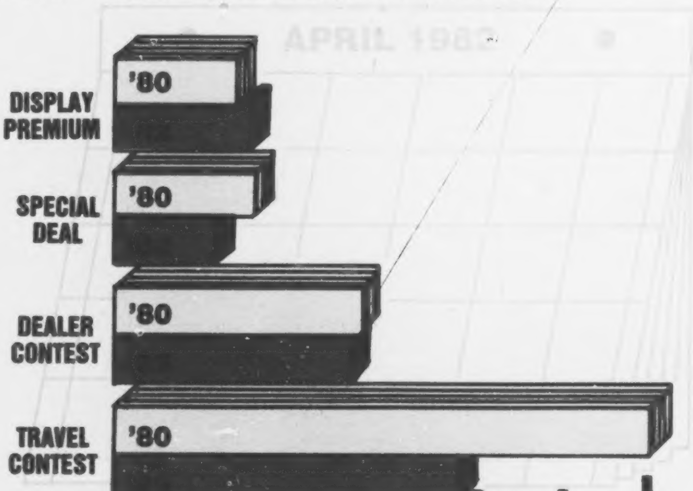
This year, far fewer executives gave priority to the two store-action goals, with 15 percent using incentives to "build dealer traffic," and 13 percent to obtain store displays.

All other promotion goals are within a few points of past surveys. Increasing total volume continues as the top goal, checked by 66 percent. Other major goals: introducing new products (42 percent), moving a full line or slow item (31 percent), offsetting competition (25 percent), bolstering a slow season (23 percent).

To reach these goals, users conduct a median of three merchandise promotions per year—a figure which has stayed constant for several years—and one travel promotion. Those with combination merchandise & travel programs plan a median of three per year, although two is the most common number.

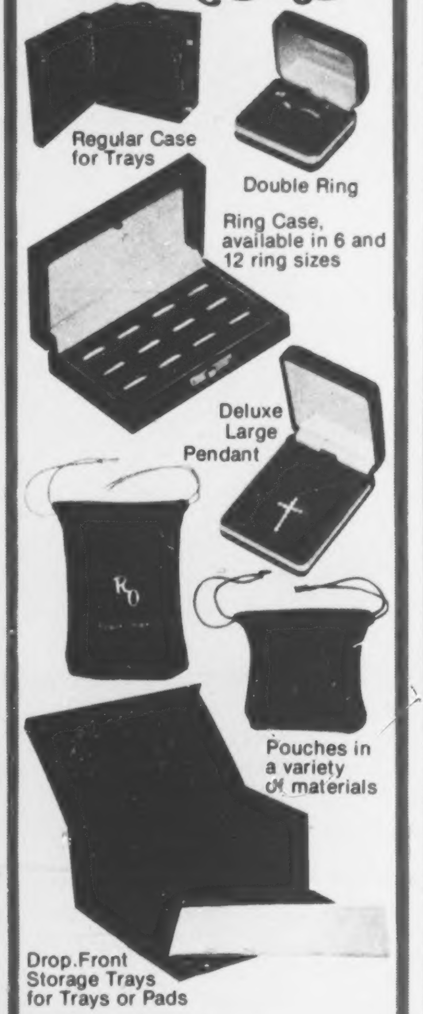
September is the favorite month for launching a trade incentive, these users say, with 29 percent opening then. January is second at 26 percent, and April is favored by 20 percent. March is the starting month for 17 percent, while 15 percent each like February, June, July, October. Bringing up the rear: August (14 percent), May and December (11 percent), and November (eight percent).

HOW LONG IS A PROMOTION?



Sales Presentation Cases

Packaging



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Then there's the matter of what products to promote with incentives. The favorite, this year and for the past few surveys, is the selected group of products, which gets incentive attention from 45 percent. Just over one-third—35 percent—of survey respondents put an incentive push on their entire product line, and 20 percent use incentives to move a single product. That figure has dropped steadily in the last two IM special surveys.

The timing of merchandise promotions has not changed greatly in the past two years, but users of dealer travel are showing distinctly shorter terms for both planning and the selling period.

Planning of merchandise promotions now takes an average of 12 weeks, this survey group says—a week less than was reported two years ago.

Duration of special deal promotions averages eight weeks; display premiums, six weeks; contests & sweepstakes, 14 weeks—all figures just slightly below the 1980 reports.

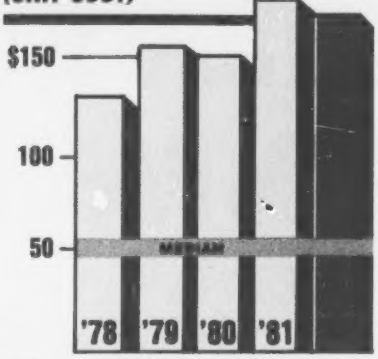
On the travel side, however, planning time has dropped from 26 weeks to 20 weeks, the lowest figure in a decade. And the qualification selling period is down from 33 weeks to a present 22 weeks, a level not seen since 1974.

This reflects, the survey finds, a considerably larger number of short-term travel programs—four or six weeks in some cases—and a corresponding drop in year-long campaigns.

It is clear that more short-range and regional travel programs are being planned, and that individual travel awards for dealers are growing in popularity. Only 18 percent of this survey now favors group travel, while 31 percent go for individual travel awards which, of course, can take less time in both the planning and sales qualification areas. This has been a perceptible trend for several years, but the present finding is the most dramatic shift in travel timing yet noted.

The swing toward individual travel awards, which in most cases do not include transportation for the winners, would help explain the generally lethargic pace at which spending on awards has moved ahead for the last few years. This year, however, there are signs that buyers are loosening the purse strings a bit.

MERCHANDISE AWARDS (UNIT COST)



The "single premium or small group of related items" is the most popular dealer incentive, used by 59% of this group. One-third use a stock catalog, and 15% develop their own incentive catalog.

This special survey group reports spending $1115 per travel award in 1981, and estimates 1982 costs at $1370 per winner—the highest figure recorded by any IM survey ever. More encouraging, the median cost rose for the first time in several years, hitting $1200.

Given the large number of users opting for individual travel awards, it seems likely these figures are somewhat distorted by a few heavy users of travel to distant places. But it does seem to indicate a direction for the field.

On merchandise awards, the trends are less clear-cut. This special survey group reports a healthy increase in award costs from 1981 to 1982—but their dollar figures for 1981 are well below the numbers reported in the

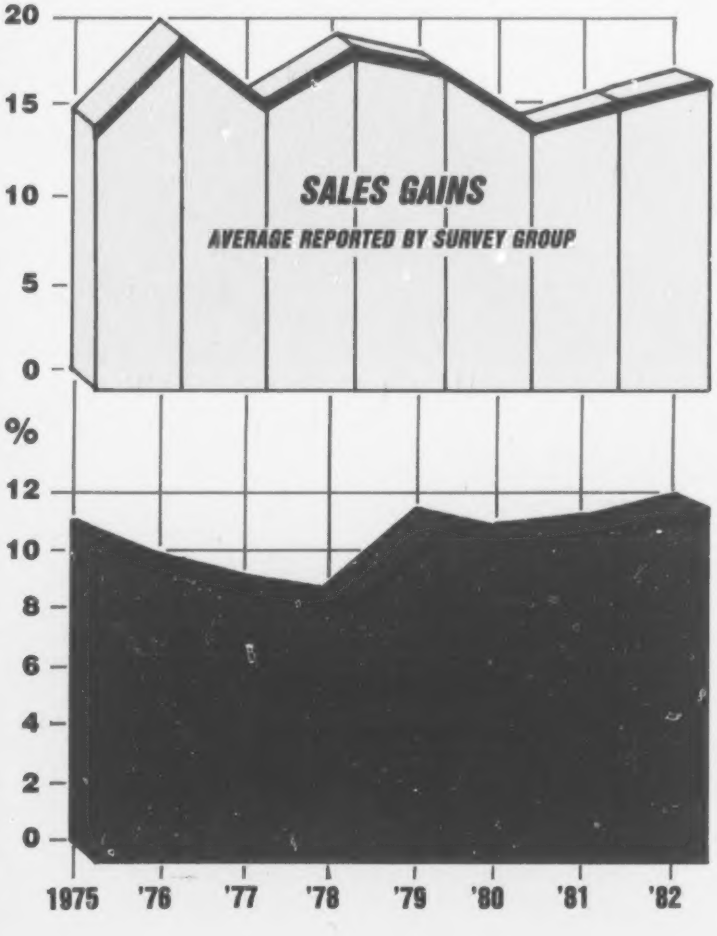
> ***A special IM reader survey finds sales gains holding up, and dealer participation at good levels. But economic woes are taking their toll, and spending increases in 1982 will be below the big gains posted in recent years.***

broader Census survey.

The median award cost for this group, in both years, was $50. Every survey on dealer incentives in the last three years has put the median at $50, indicating this is a real barrier for many users—not unlike the $1000 barrier for travel programs.

The average cost for these users went up slightly. They report spending $130 per award in 1981, and estimate 1982 award cost at $165. By contrast, the Census group puts award cost at $183 last year.

Taking a closer look at merchandise awards, some trends emerge as to the type of awards favored, and the sources used for obtaining them.



Users were given a choice of three types of merchandise awards: a single premium or small group of related premiums, an incentive company catalog, a specially prepared catalog or selection.

The largest group—59 percent of this survey—offer a single premium or small group of related items. Next choice is the stock catalog from an incentive company, used by one-third of this group. And 15 percent report developing a custom catalog specifically for their promotions.

Along with the two travel options (31 percent of the buyers using individual travel awards, 18 percent offer group travel), the total of award choices well exceeds 100 percent. It works out to about one and one-half different courses per company.

A follow-up question sought to determine what sort of merchandise users opt for when they do run a program using a single premium or a small group of items. The largest number—42 percent—go with personal items, followed closely by home & family items at 40 percent. Business-related premiums are favored by 18 percent of this group.

These figures represent some change from the 1980 survey, but that may be due to a rewording of the question. In 1980, just eight percent of the group reported offering "store use" items. A change to "business items" brought that up to 18 percent. Much of that came out of home & family items, favored by 56 percent two years ago, and just 40 percent this time.

This year, for the first time, we asked users about their sources for buying merchandise and travel incentives as two separate questions. Previously, the two award categories were combined in the "how do you buy" question.

The results of this switch were dramatic—a big increase in the number of users saying they deal directly with manufacturers for merchandise awards, and a drop in the number dealing with full-service incentive companies.

Forty-four percent of this survey group reports dealing directly with a merchandise manufacturer, displacing both premium wholesalers

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> ***"Growth among the major industry users is slowing. The three largest—Auto Aftermarket, Farm Equipment, Autos & Trucks—posted minimum spending increases last year, and seem likely to continue that pattern in 1982."***

& jobbers (33 percent) and premium reps (26 percent), who were the top choices two years ago.

Under the previous survey form, users had to check a category headed "merchandise manufacturer/travel carrier," which perhaps they felt was misleading.

The full-service incentive company, favored by 24 percent of users when merchandise and travel were combined, fell off this year, when buyers were able to separate the two. Only 20 percent picked it for merchandise awards, and 11 percent for travel programs.

First choice for travel programs continues to be the "do it ourselves" category, picked by 18 percent two years ago, and by 20 percent this year. Travel wholesalers are favored by 13 percent, and eight percent ask air carriers, cruise lines, or hotels to handle all of the program arrangements.

After goals have been set, a timetable established, and awards selected, comes what many experts consider the most crucial element in the incentive concept: promoting the program to the dealer audience.

Enthusiastic advocates have been known to suggest cutting back on award costs and putting the extra dollars into extra promotion to create dramatic trade impact and notice. That's evidently what this year's survey group has been doing. They spend, on average, 8.8 percent of affected sales on the incentive program, against 8.2 percent for the 1980 survey group.

While that's not a significant jump, the split between award costs and promotion costs changed noticeably. This year's group spends 3.7 percent of incremental sales for promotion materials, mailings, ads and related costs, where only 2.4 percent was allocated for this two years ago.

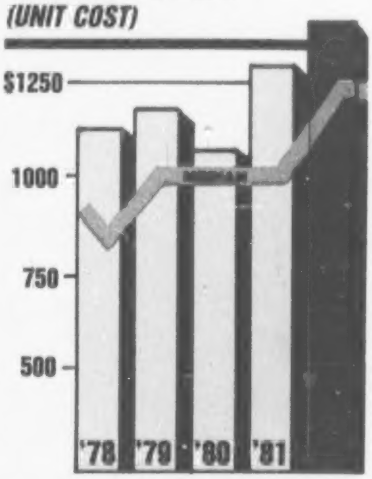
All that extra promotion came out of the award side, which went from 5.8 percent of incremental sales in 1980 to 5.1 percent for this survey group.

These costs now come to a median of 12 percent of incremental sales—the extra volume achieved during the promotion. The figure was the same for merchandise and travel promotions.

These figures show a slight, but perceptible, creep upward. In the 1980 survey, median cost for both merchandise and travel was 10 percent of incremental sales. Last year, it moved up to 12 percent for merchandise, 11 percent for travel. This year, it reached 12 percent in both areas.

But there is no indication that this creeping up of costs is dampening the enthusiasm of most users of dealer incentives. The reason appears to lie in a steady increase in their sales results during the past three years. If more buys more—and their figures indicate it

TRAVEL AWARDS
(UNIT COST)



does—then the increased costs can be justified.

We asked these users for their goals and actual sales gains in the period from 1979 to 1981. The average objective is 18.9 percent, with a median goal of a 17 percent sales gain. This compares favorably with the 16.7 percent actual sales gain reported by executives answering the 1981 Census survey.

But these users' reports of their actual sales gains in those three years show an even healthier picture. From a 16.4 percent average gain in 1979, these users progressed to 21.7 percent in 1980 and 22.5 percent last year.

The averages are significant in showing the overall trend. But, in looking for comparability, the user executive may find more value and comfort in the median results achieved by these 143 companies. The medians for the three years are respectively, 15 percent, 18 percent, and 19 percent. Against a median goal of 17 percent, these users are obviously doing quite well.

In another measure of effectiveness—dealer acceptance of offers—they are also doing extremely well in relation to the findings of the past three years.

Participation in dealer promotions has been on a steady decline in our survey reports since 1979. In 1978, users reported 49 percent of dealers accepted their merchandise offers, and 33 percent qualified for travel awards.

By 1981, acceptance had dropped to 35 percent for merchandise and only 22 percent for travel. Now, however, this group tells us merchandise acceptance has jumped back near the 1978 level, to 48 percent. And for travel the takers have gone well above previous levels, with 39 percent average qualification.

In neither measure of success—sales gains or dealer participation—do we have any reading yet on 1982. The facts of 1982 economic life may yet erode some of the strengths of dealer incentives, but the indication right now is that users are entering this period against a background of upward movement, and an apparent bullish, though cautious, attitude toward what dealer motivation can do for them.

Major expansion in dealer promotion cannot be expected in a time when some of its foremost exponents are in decline, of course.

The largest industry using dealer incentives—Auto Parts, Tires & Accessories—stood still in its usage in 1980, although it did show growth in sales force incentives and consumer promotion. It apparently remained below the average growth level last year—but for 1982 is predicting an upturn in activity.

The second largest user, however, is forecasting a weak 1982. Farm Equipment, in a depressed market, can work hard at promotion and still contract in dollar terms. The same is true for the third largest spender, Autos & Trucks, a sick field that kept up a good fight in 1980, but is bound to retract this year.

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> “*$50 is evidently a real barrier for many users of merchandise awards. It’s been the median cost for every group surveyed since 1979.*”

Electronics, Radio & TV is first on the list to show any real growth potential for 1982.

Recession naturally breeds decline in almost any type of activity. That incentives may help some companies hold their own better than others will not necessarily add to total expenditures. If the business downtrend is pervasive, even the strongest promoter will wind up spending less than in better times.

We’re starting to see some signs of that with this special survey group. Plans for future dealer incentive activity among these companies—surveyed in late 1981—are more conservative than among the group surveyed earlier in the year.

In the early survey, done in the first quarter of 1981, 40 percent said they planned to increase spending on both travel and merchandise incentives for dealers this year. The special survey group takes a more cautious approach, with 30 percent saying they will expand merchandise activity, and only 17 percent planning increased travel promotion.

The most anticipated course of action is program maintenance. Almost two-thirds of this group expect to continue their dealer promotion at the same level.

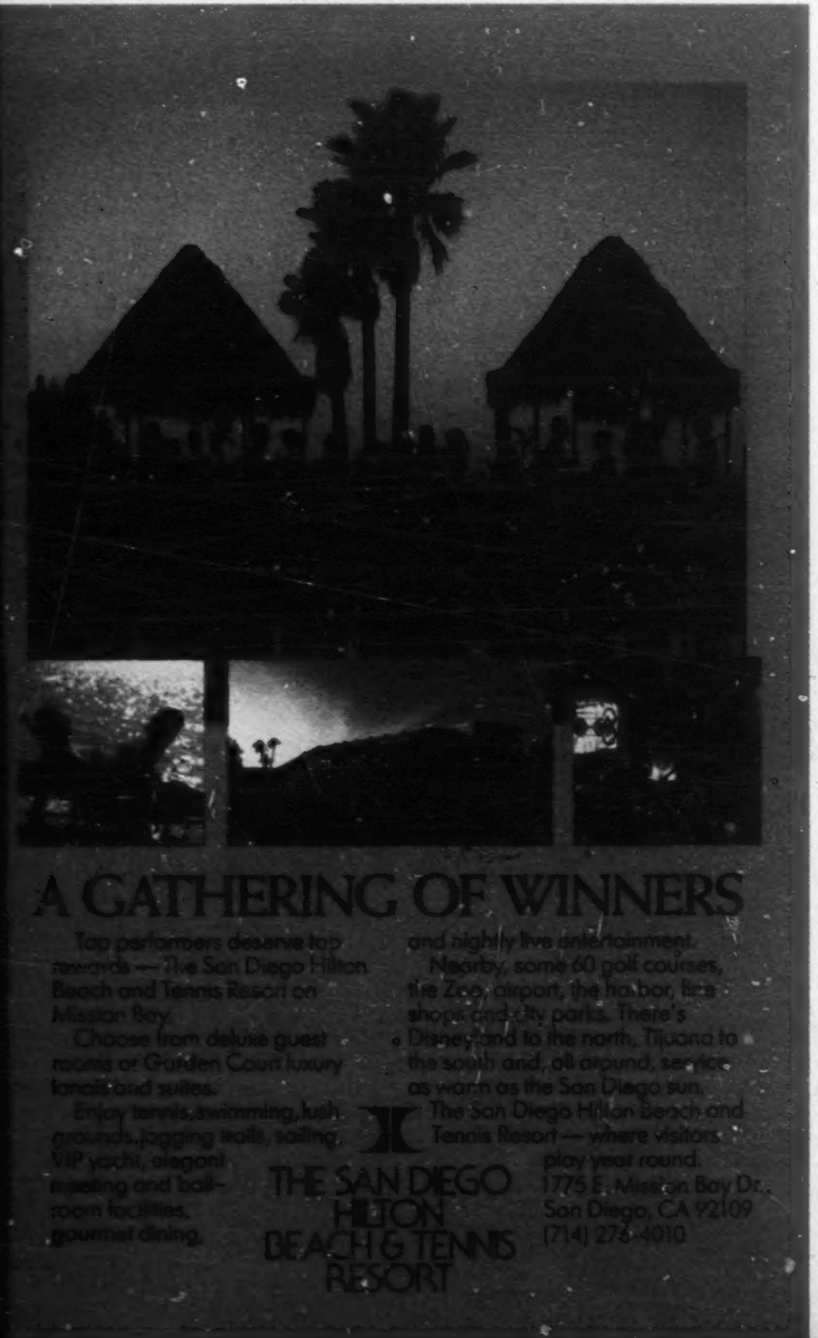
And while fewer of these users are planning big increases, fewer also report planning big cutbacks. Just six percent plan cutbacks in merchandise promotion, while 18 percent plan travel cutbacks. In the broader Census survey, 28 percent indicated they would cut back this year.

This may, of course, reflect the special makeup of the survey group, which is heavier into dealer incentives than the other group, who move in and out of the field as conditions warrant.

For the vast majority, it is clear that their confidence in the efficacy of dealer incentive promotion has not weakened. But they are being more cautious in budgeting, trying to do the same or a better job without spending much more money.

Their projections, made in fall 1981, do not fully take into account the present recession, and thus the sheer arithmetic effect of sagging markets may be expected to reduce expenditures in many cases when the final 1981/82 figures are in.

But, as this latest survey group has told us, dealer incentives still have an important job to do—and seem to be doing it as effectively as the economic climate will permit. Level of spending, in dollar terms, may not set any records. But cost-effectiveness of a strong marketing weapon could. ■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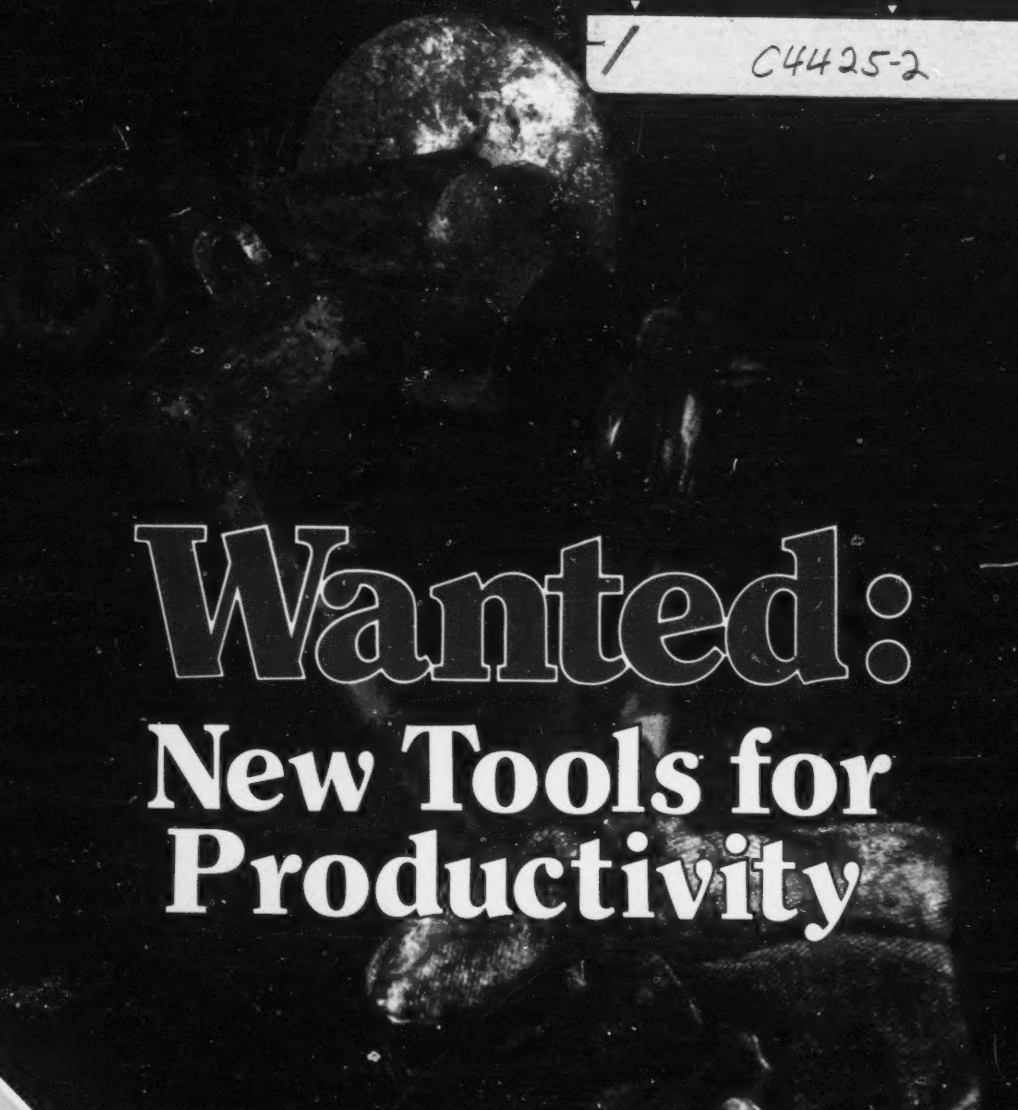

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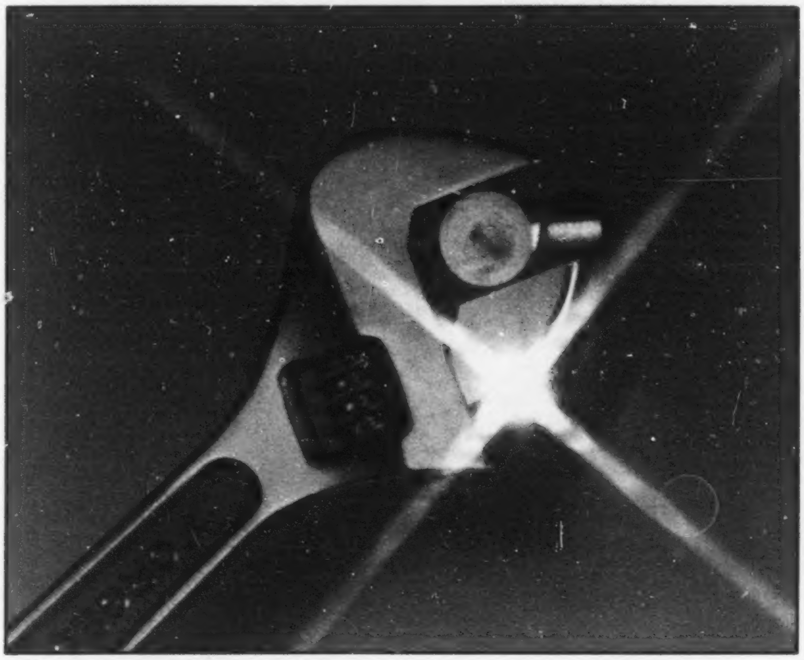

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36 ***EMPLOYEE MOTIVATION CASE HISTORIES***—Honeywell: flexible approach gives each employee the right motivation for them. FMC: all employees share the prizes and premiums when missile system tests go A-OK. Denny's: premiums are a tangible expression of this restaurant company's people philosophy.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

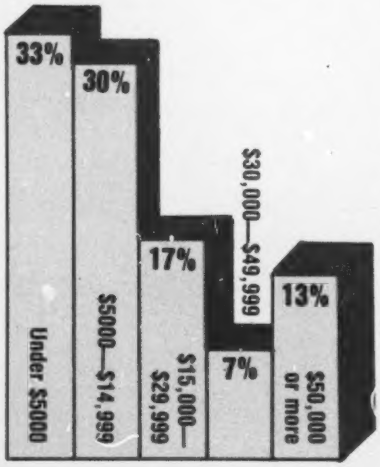
First look at who's and how's of employee motivation

This year, for the first time, **Incentive Marketing** has begun surveying readers on the size and scope of their employee motivation programs using merchandise, travel, and recognition awards. Findings will be published in our December 1982 FACTS issue, but a preliminary report gives some insights into what companies are doing in this area.

In early 1982, we mailed a survey to a random sample of 1000 readers who have indicated usage in the general category of "Employee Incentives, Service & Recognition Awards, Business Gifts." One hundred and fifty-six survey forms were returned, and their findings are reported here.

It's clear companies spend a wide range of money on these programs. In 1982, for example, expenditures reported ranged from $100 to $280,000. The majority were clustered in the under-$10,000 area, but a handful of heavy users helped push the 1982 average to $29,370 per company reporting.

Here is how the spending broke down:



This money buys awards for a variety of employee achievements, but a traditional favorite—Longevity of Employment—was the most popular choice. Thirty-three percent of our survey group reports they give merchandise, travel, or recognition awards here.

Second choice is productivity programs, checked by 22 percent of our group, while on-the-job safety is rewarded by 12 percent of our survey group. Other categories got less than 10 percent: cost-control, training, absenteeism, employee turnover, suggestions, quality control.

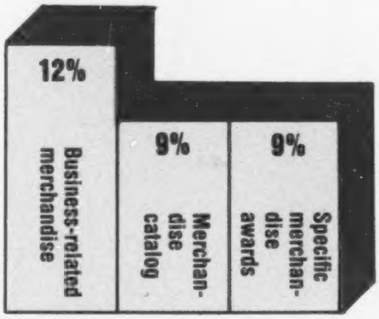
Some 30 percent of our survey group reports that all employees are eligible for awards. Second choices as program participants include "Clerical, Office & Support Staffs," and "Middle Management," both picked by 17 percent, "Plant Supervisors & Foreman," 11 percent, and "Service Technicians," 7 percent.

Individual achievement is the most popular method of winning an award, with 62 percent of our survey group picking that as the basis. This undoubtedly reflects the substantial number of longevity-of-employment programs—the one area where team awards are not practical. Another 26 percent of our group rewards both individual and team effort, and 12 percent reward only group achievements. In most productivity and safety programs, experts stress the importance of having both individual and team awards.

With our survey group's emphasis on longevity programs, it should come as no surprise to find the type of awards they like. Two categories dominated the voting: "Plaques, Trophies, and Certificates," used by 20 percent of the group, and "Jewelry, Rings, Pendants, Etc.," used by 19 percent.

A close runner-up was "Dinners & Special Entertainment Functions," used by 17 percent of our group. Travel awards scored surprisingly high—13 percent. This undoubtedly comes from people offering a small number of trips to very top level achievers—Employee-of-the-Year type awards—rather than any broad-based movement towards massive travel programs in this area.

Traditional premium merchandise was represented by three categories. Taken together, they make a respectable showing:

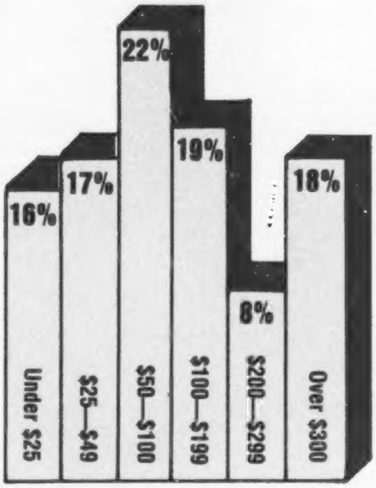


Other awards mentioned include company stock, trips to the annual convention, and retail gift certificates.

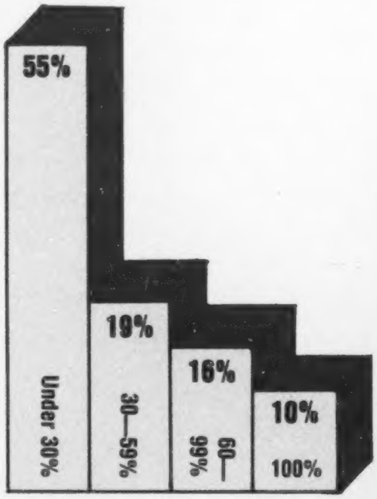
It would seem that the potential for suppliers of premium merchandise is great. As one consultant points out, employees in these programs are usually middle-income workers, often still in the product acquisition stage, and likely to respond to merchandise awards, catalogs, and prize-point plans.

Program managers interviewed mentioned price points of $5, $10, and $20. At these levels, an on-site manager can hand out prize certificates with relatively little paperwork, and can create immediate impact with the recipient. Our survey bears out their feelings.

When we asked the average cost of a program award, here is how this survey group responded:



How many employees actually take home an award? We asked the survey group what percentage earn something in a typical program, and found the two biggest groups in the under 10 percent category, and in the 10 to 20 percent category. Here is the breakdown:



When it comes to evaluating the employee motivation program, "Management Judgement" was the clear favorite with this group, used by 44 percent. The more sophisticated goal of "Set Quantifiable Goals" ran a strong second, with 24 percent of our group reporting. Increased sales and/or profits are used by 20 percent as a yardstick.

"Management Judgement" is also the number one method of determining how much to spend on awards, with 55 percent saying that. "Percentage of Savings Generated" and "Standard Award Value" are used by 21 percent each.

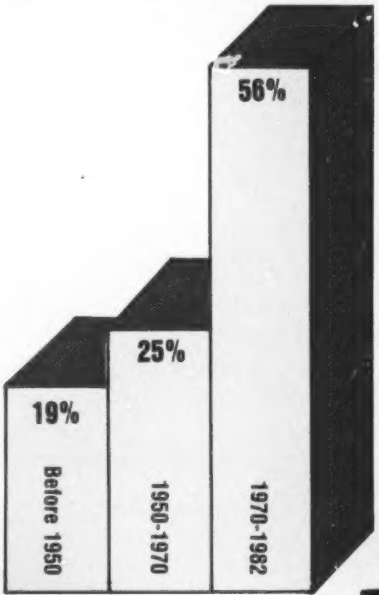
Two key elements in the success of a program are how awards are presented, and how the program is promoted to the participants. Survey respondents keep a high profile in these areas. Some 65 percent present awards at office functions, and another 36 percent use ceremonies with family and guests present. Just 10 percent mail the awards home with no fanfare.

A variety of methods are used to promote the program, with the employee meeting the most-used, picked by 30 percent. Another 19 percent use bulletin boards, and 17 percent use the company newspaper. Other methods include: mailings home, 14 percent, word-of-mouth, 13 percent. Six percent report no formal promotion.

Somebody has to set up this program, handle the paperwork, pick the awards, and tend to the mundane details. By and large, it's done in-house, 48 percent, and is divided into two camps: the sales & marketing department, 27 percent, and the personnel or human resources office, 27 percent. Many respondents indicated multiple responsibilities and involvement.

In a final question, we asked what year they had begun their employee motivation program. Answers ranged from 1901 to this year, but the overall trend was unmistakable.

From these preliminary surveys, it seems clear that business is stepping up the pace of employee motivation. More companies are adding programs, or expanding long-dormant ones. More and more American workers would seem to have incentives in their future. ■



JULY 1982

Incentive Marketing

INCORPORATING **INCENTIVE TRAVEL**

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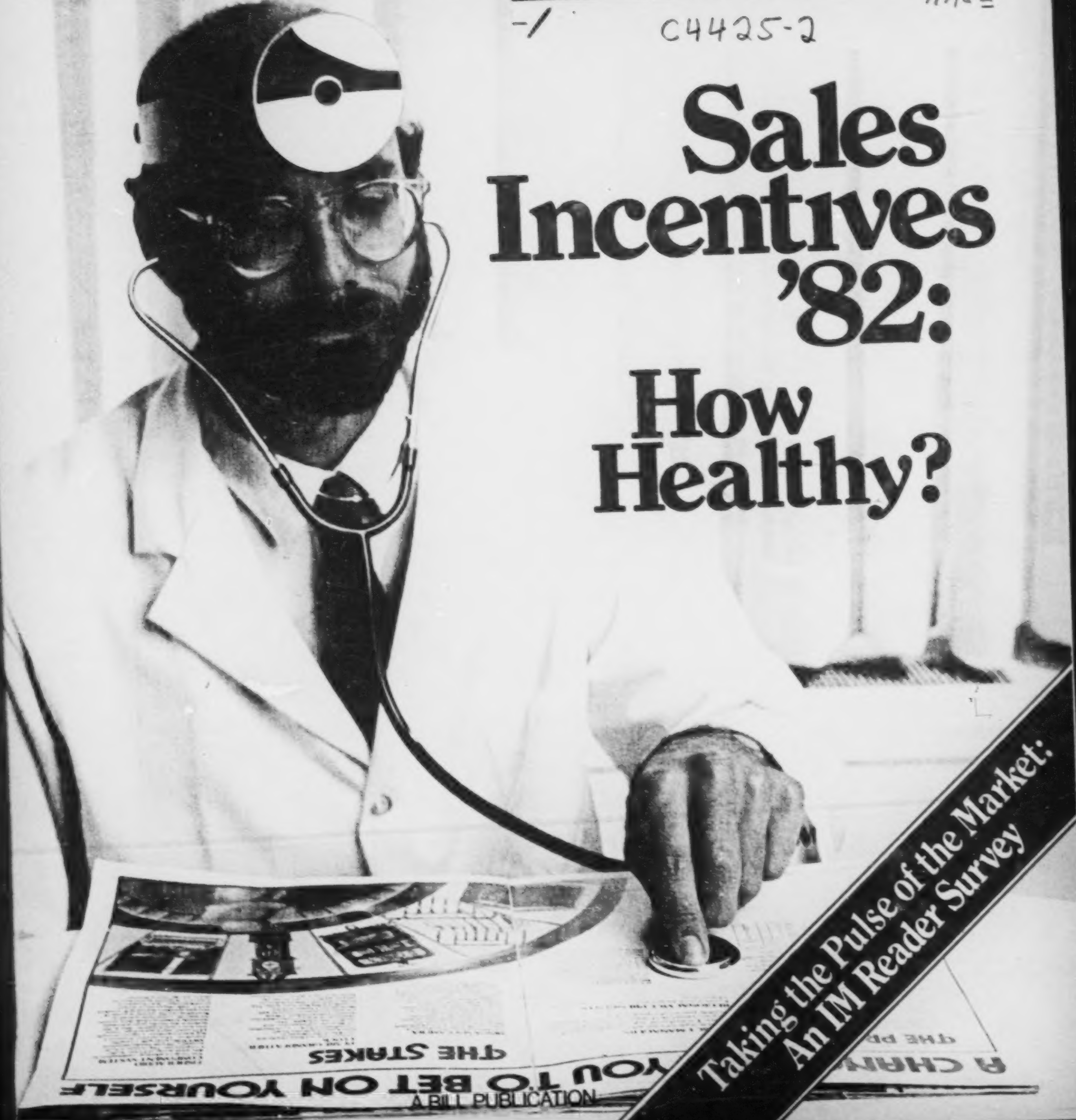

Sales Incentives '82: How Healthy?

Taking the Pulse of the Market: An IM Reader Survey

A BILL PUBLICATION

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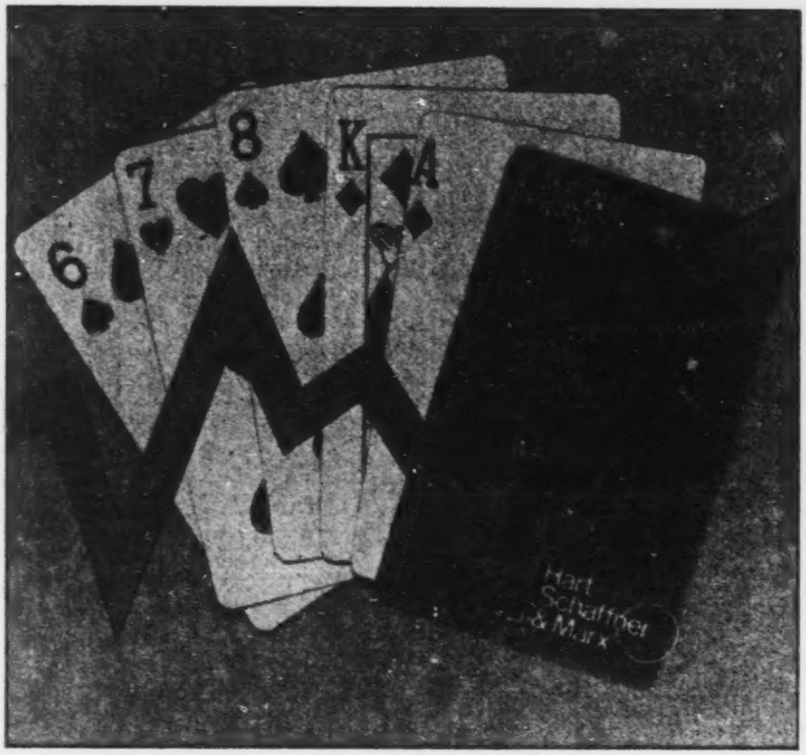

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Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

IM READER SURVEY:
THE PULSE OF THE MARKET

Sales Incentives '82:

Growth Slowing, but Vital Signs OK

Making salespeople run is still the biggest job incentives have to do, and it is a historical fact that their use has usually accelerated ahead of other incentive techniques in a time of recession.

That may still be true this year—but the pace has definitely slowed. Against a forecast of 13.4 percent expansion in sales incentives for 1982, the reports of a special IM survey add up to only 7.5 percent over their expenditures last year.

Costs of these companies' incentive programs have increased, sales-effectiveness has remained steady, but participation has increased since our last reports.

IM sent a special questionnaire to 449 executives who had reported sales-force incentive usage in their responses to the 1981 Census Survey, for an update on their current practices and results. About 51 percent—229—replied, and 217 of the reports were complete and received in time for tabulation. Of these, 194 had reported dollar usage figures for both 1981 and 1982.

They spent about $13,368,240 last year for sales-force motivation programs, and estimated they would spend $14,368,206 in 1982—an average per company this year of $74,063. This is just slightly lower activity than reported in a similar study a year ago, when the respondents said they were spending an average of $75,721.

With the national economy in a prolonged decline, it may be that a 7.5 percent dollar growth in incentive programs represents an outstanding vitality—one that is doing its darnedest to keep companies in the black against all the odds.

In any event, sales force incentive campaigns are still paying—though the costs are a little higher—and the count of salesmen and saleswomen earning awards has actually risen this year.

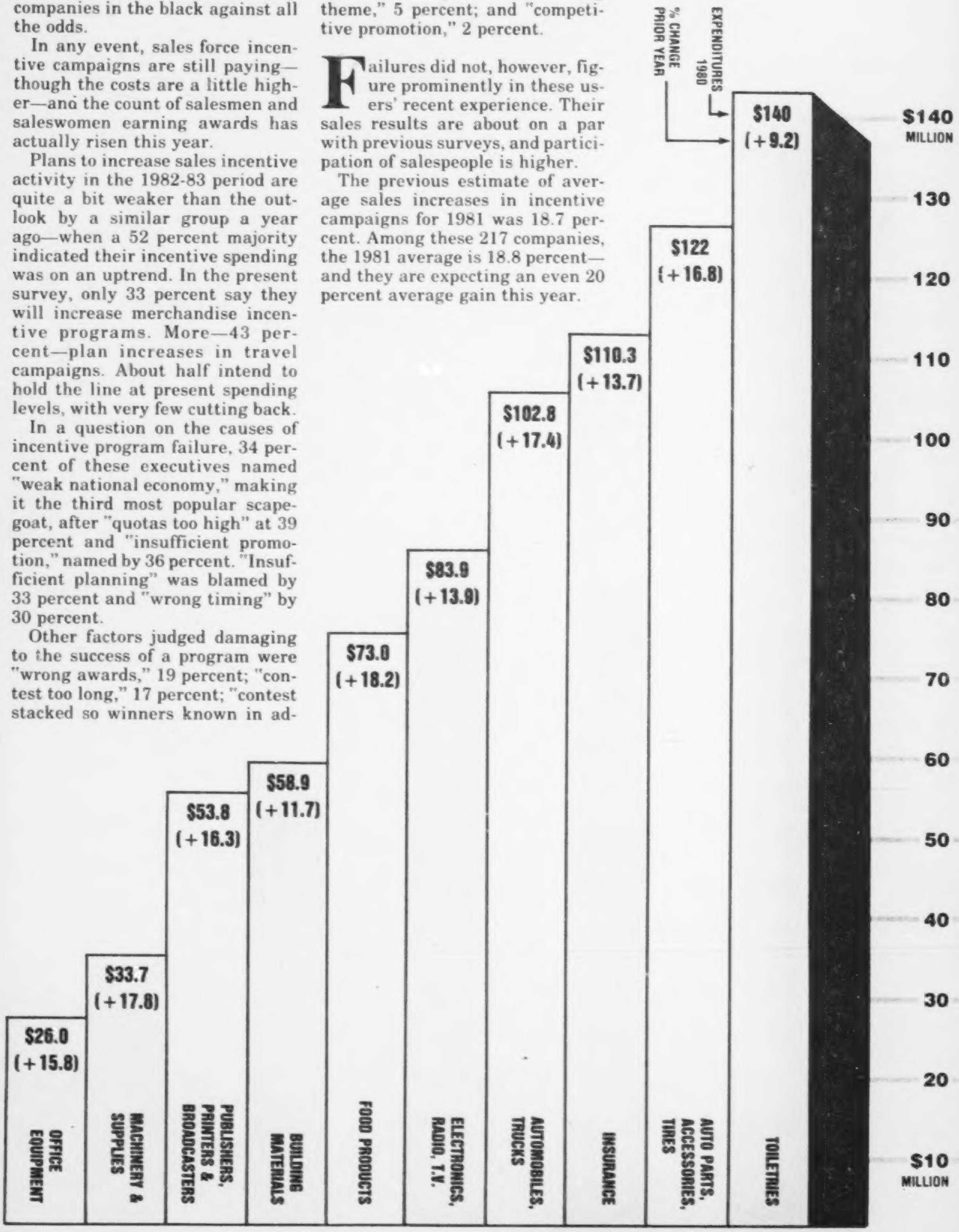
Plans to increase sales incentive activity in the 1982-83 period are quite a bit weaker than the outlook by a similar group a year ago—when a 52 percent majority indicated their incentive spending was on an uptrend. In the present survey, only 33 percent say they will increase merchandise incentive programs. More—43 percent—plan increases in travel campaigns. About half intend to hold the line at present spending levels, with very few cutting back.

In a question on the causes of incentive program failure, 34 percent of these executives named "weak national economy," making it the third most popular scapegoat, after "quotas too high" at 39 percent and "insufficient promotion," named by 36 percent. "Insufficient planning" was blamed by 33 percent and "wrong timing" by 30 percent.

Other factors judged damaging to the success of a program were "wrong awards," 19 percent; "contest too long," 17 percent; "contest stacked so winners known in advance," 12 percent; "wrong theme," 5 percent; and "competitive promotion," 2 percent.

Failures did not, however, figure prominently in these users' recent experience. Their sales results are about on a par with previous surveys, and participation of salespeople is higher.

The previous estimate of average sales increases in incentive campaigns for 1981 was 18.7 percent. Among these 217 companies, the 1981 average is 18.8 percent—and they are expecting an even 20 percent average gain this year.



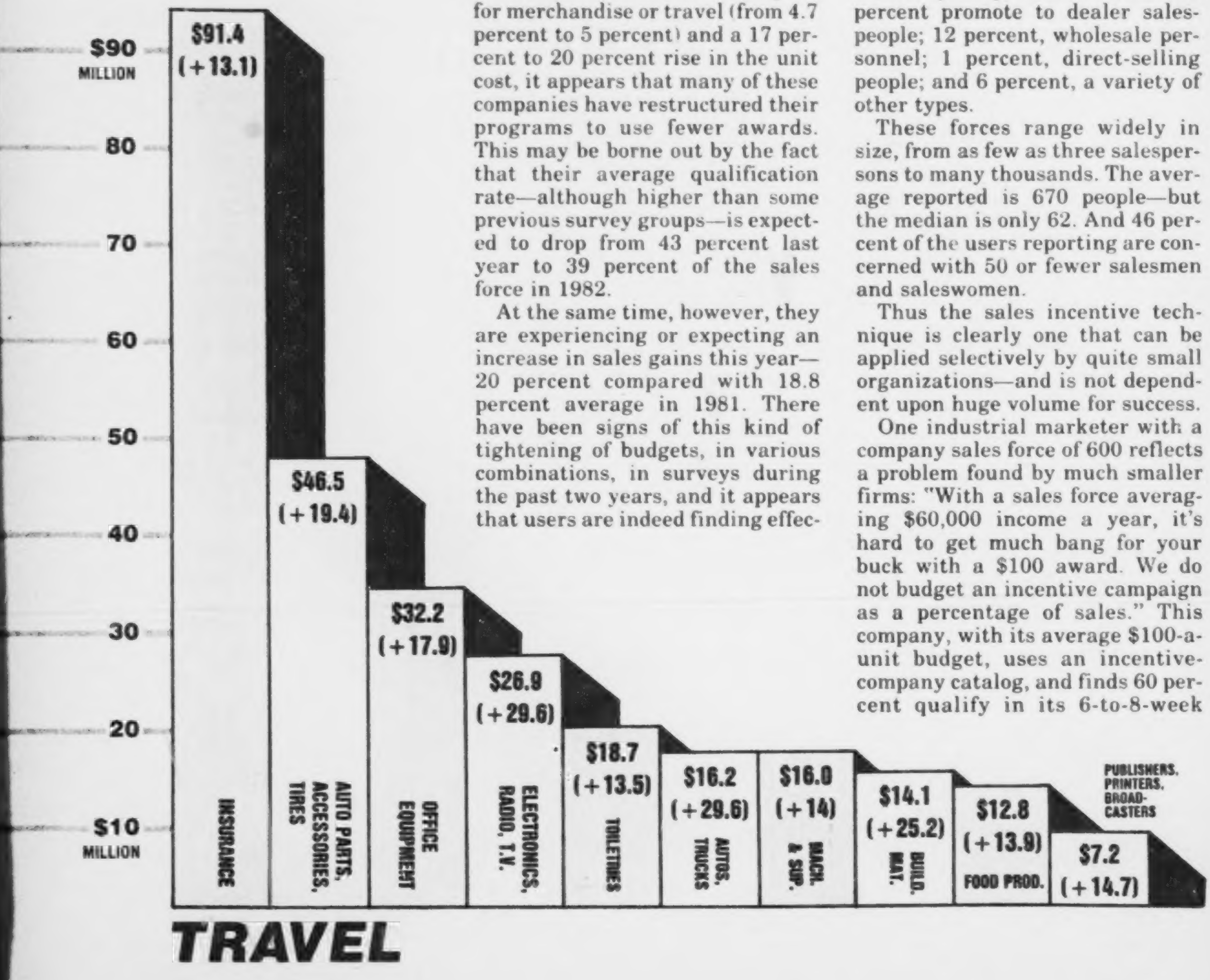
MERCHANDISE

Participation last year was reported averaging 35 percent, but the survey group reports 43 percent for 1981 and anticipates 39 percent qualifying this year—47 percent for merchandise programs, 32 percent for travel.

The users have had to pay a higher price for their results, however, as a percentage of sales during the campaign period. They report an average of 5.0 percent of total affected sales for the purchase of award merchandise or travel, and another 3.2 percent for promotional costs—a total of 8.2 percent. This compares with a similar survey's finding a year ago of 4.7 percent and 1.8 percent, or a total of 6.5 percent.

When measured against the incremental sales gained through the incentive program, this year the users report an average of 15 percent, vs. 14 percent last year.

> ***"With the national economy in a prolonged decline, it may be that a 7.5% dollar growth represents outstanding vitality—one that is doing its darnedest to keep companies in the black, against all odds."***



TRAVEL

Although these executives reported a greater increase in the cost of promotional materials and mailings than of merchandise or travel, their reports show a considerable rise in the unit cost of both types of award, as compared with earlier surveys. The median unit cost of merchandise is up to $117, from $100; and the travel median increased from $1000 to $1200.

With only about a 6 percent increase in the share of sales spent for merchandise or travel (from 4.7 percent to 5 percent) and a 17 percent to 20 percent rise in the unit cost, it appears that many of these companies have restructured their programs to use fewer awards. This may be borne out by the fact that their average qualification rate—although higher than some previous survey groups—is expected to drop from 43 percent last year to 39 percent of the sales force in 1982.

At the same time, however, they are experiencing or expecting an increase in sales gains this year—20 percent compared with 18.8 percent average in 1981. There have been signs of this kind of tightening of budgets, in various combinations, in surveys during the past two years, and it appears that users are indeed finding effective ways to get people to do a little more for a little less incentive.

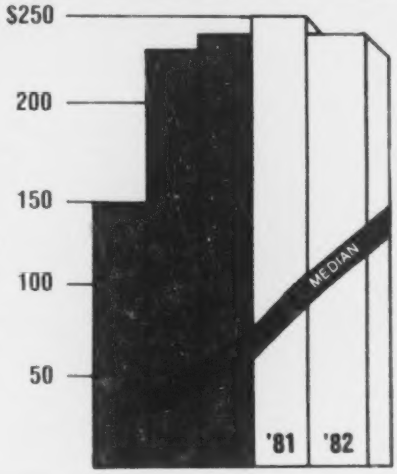
The respondents in this survey direct their incentive programs toward 145,390 salespeople in five different categories—with the majority of 73 percent reporting company-employed people. The second-largest group is manufacturers' reps, mentioned by 21 percent. Another 18 percent promote to dealer salespeople; 12 percent, wholesale personnel; 1 percent, direct-selling people; and 6 percent, a variety of other types.

These forces range widely in size, from as few as three salespersons to many thousands. The average reported is 670 people—but the median is only 62. And 46 percent of the users reporting are concerned with 50 or fewer salesmen and saleswomen.

Thus the sales incentive technique is clearly one that can be applied selectively by quite small organizations—and is not dependent upon huge volume for success.

One industrial marketer with a company sales force of 600 reflects a problem found by much smaller firms: "With a sales force averaging $60,000 income a year, it's hard to get much bang for your buck with a $100 award. We do not budget an incentive campaign as a percentage of sales." This company, with its average $100-a-unit budget, uses an incentive-company catalog, and finds 60 percent qualify in its 6-to-8-week

MERCHANDISE AWARDS
(UNIT COST)



"Merchandise award costs moved up, with median hitting $117. Single premium or small group of related items is this group's favorite, used by 35%." (Key: red is previous IM survey groups, tan is this group's 1981 experiences, 1982 forecast).

merchandise programs. But, because of the budget problem, it plans to reduce incentive spending in the immediate future.

Another user with a negative view of motivating company salespeople is an investment firm with 400 people. The user offers both merchandise and travel incentives, but has achieved only a 3 percent to 10 percent sales gain in the past two years, and plans to cut back on incentive expenditures in the next year. Why? A combination of the poor economy, poor selection of travel destinations—and problems in "convincing top management of the value in motivating salespersons."

Those who have direct control over their company sales forces may be presumed to have an obvious advantage in any time. There is some evidence that this is even more true in a period of economic distress. "We are trying," a major housewares manufacturer told us, "to buy distributor salesmen's time through use of incentive merchandise. Products on which we run incentives are declining product lines." The result, he reports, is a zero sales increment last year and this year, in spite of incentive programs in which about 60 percent of eligible salespeople qualified.

A small direct seller did well in 1981, with a 22 percent sales increase during his incentive campaigns. But his 1982 outlook is for no growth at all. He blames it totally on the economy, which has had a severe impact on his young-homemaker customer base. "We never had problems until the bottom fell out—in 34 years, I never saw it so bad." On a question about quotas, he says simply, "Their ultimate goal is to sell for survival."

An appliance manufacturer aiming his program at more than 100 dealer and wholesale people, with an expectation of 25 percent sales growth during a campaign, achieved only 17 percent last year and expects just 12 percent in 1982. The problem he notes is "making heros out of the bums, and bums out of the heros."

The principal name of the sales incentive game is to sell more—and "increase overall volume" is the single objective that always comes out on top, listed by 75 percent of the executives reporting in the present survey. But we listed 14 different objectives in the questionnaire—five more than in previous surveys. The No. 2 choice, as usual, was "sell new accounts," favored by 52 percent of the executives reporting.

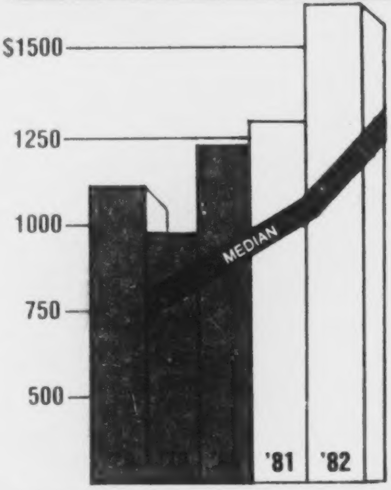
Tied for third position among the objectives were "introduce new products" and "boost sales force morale," both mentioned by 47 percent of the users.

The objective that ran fourth in the last couple of surveys, "move full line or slow items," was listed by only 13 percent of the respondents—apparently because some of the newer listings covered similar priorities. "Increase market share" was given a 35 percent vote. Other new entries were "improve balance of sales," 21 percent; "sell high-margin lines," 16 percent; and "improve inventory situation," 13 percent.

Also-rans among the objectives indicated were "obtain store displays," 11 percent; "offset competition," 10 percent; "assist in sales training," 9 percent; "back consumer promotion," 7 percent; and "back dealer promotion," 6 percent.

Perhaps surprisingly, there has been a slight increase in the incidence of merchandise incentive campaigns among the survey respondents. They report that they used a median of two such promo-

TRAVEL AWARDS
(UNIT COST)



"A variety of sources are used in travel programs, but do-it-yourself is dominant. 30% of survey group uses a local travel agency, and 24% make their own travel arrangements." (Key: red is previous IM survey groups, tan is this group.

tions last year, but the number increases to three for 1982. In travel programs, the median remains one for both years, and combination programs also stand pat at two per year.

The duration of incentive promotions has not changed greatly since the previous survey a year ago. The overall duration then was reported at 20 weeks. In this survey, travel and merchandise events were listed separately and the average duration was reported at 27 weeks and 17 weeks, respectively. Sprint campaigns are averaging six weeks with these users, compared with five weeks a year ago.

How long does it take to gear up for this sort of program? These companies tell us they spend an average of 13 weeks in planning for a merchandise offering—and more than twice as long, 27 weeks, to get ready for a travel incentive program.

Incentive planning can be a major consideration for any user. Time, logistics, approvals, award selections and preparation of promotional materials all contribute to delays and problems. "The biggest challenge in planning any campaign," says H. A. Schwartz, Newspapers Inc., Milwaukee, "is the development of the confidence and enthusiasm needed to stimulate the necessary effort. It requires new ideas, careful planning and the right combination of awards. Cash is important in any contest, but people really work for trips. A good merchandise award can be helpful."

The toughest part for one plastics manufacturer is "getting upper management to react with the program." Similar sentiments abound. "Budget approvals kill more good ideas than anything—we are very fragmented in this area," another executive pointed out. "Top management decisions take too long!" said another. And an electrical manufacturer has difficulty "getting sales/marketing personnel to agree on program and theme in sufficient time to plan and support properly."

Setting performance quotas is a key element in the planning process—and it is not without difficulty for many users. About 38 percent of the respondents use quotas based on year-ago sales, while 17 percent work against an immediate-previous period. But the largest number—45 percent—believe in a flexible system in which individual quotas are established based on individual circumstances.

In 53 percent of cases, the quotas pit each salesperson against his or her own previous record. Direct competition between members of the sales force is favored by 32 percent, while 15 percent foster group competition.

Not all use quotas, however. As reported in our survey a year ago, only 72 percent said they set individual quotas. The most difficult part of setting up the incentive program, notes M. Jaffee of West Cabot Cosmetics, is "making quotas realistic and productive, so that they meet all economic conditions at the time of a contest."

It's a problem, says D. Schwindt of Fresh Foods Co., Portland, OR., of "reducing all salespeople to a common competitive level—to account for sales increases relative to customer mix and salespersons' volume."

Translating the quota is important too, as Fred Depuy of Wallace Business Forms notes: the challenge is "making the contest rules convey the desired end result to the participants."

"The goals," F. Garbark of Babco Inc., Pittsburgh, sums up, "must be ambitious, but not overly so. A person must be motivated to reach for glory, but the glory must be attainable. Personnel must believe that with some extra effort the brass ring in the form of cash, a trip, a car, TV, etc., can be theirs."

The awards can be theirs, on the average, at attainment of 99 percent of quota, according to these surveyed executives. That is the minimum qualification level they indicate. Maximum credits are earned at an average level of 120 percent of quota. This shows a less liberal handling than the results in a similar survey last year, when the respective figures were 90 percent and 113 percent.

Shopping for incentives is not an easy chore—and a travel user seems to have a tougher time with it than the buyer of merchandise. A magazine publisher comments: "Our incentives are based upon achieving 100% of annual quota. Finding a time for the travel which is convenient to all involved is becoming a greater problem every year."

Jack E. McNeil of Northwestern Security Life Insurance likes to tie in with sporting events. "Getting proper sporting event schedules for cities far enough in advance to plan contest and kick off early enough" is a major problem for him.

G. L. Petrovich of Slovene National Benefit longs for "The uncanny ability to select a site or prizes which are new to the market today and which will be hot during the campaign. If we develop a foolproof selection system, my new business address will be Tahiti."

Using the right sources can, of course, simplify the selection process, even if it isn't foolproof. The surveyed executives' preferences differ widely on sources, both for travel and for merchandise.

Our questionnaire listed five options for merchandise buying and the same number of travel sources. No one source in either group has more than a 39 percent preference this year.

Here are the choices, with the percentage of users who indicated a preference of each. Choices add to more than 100 percent because of multiple answers.

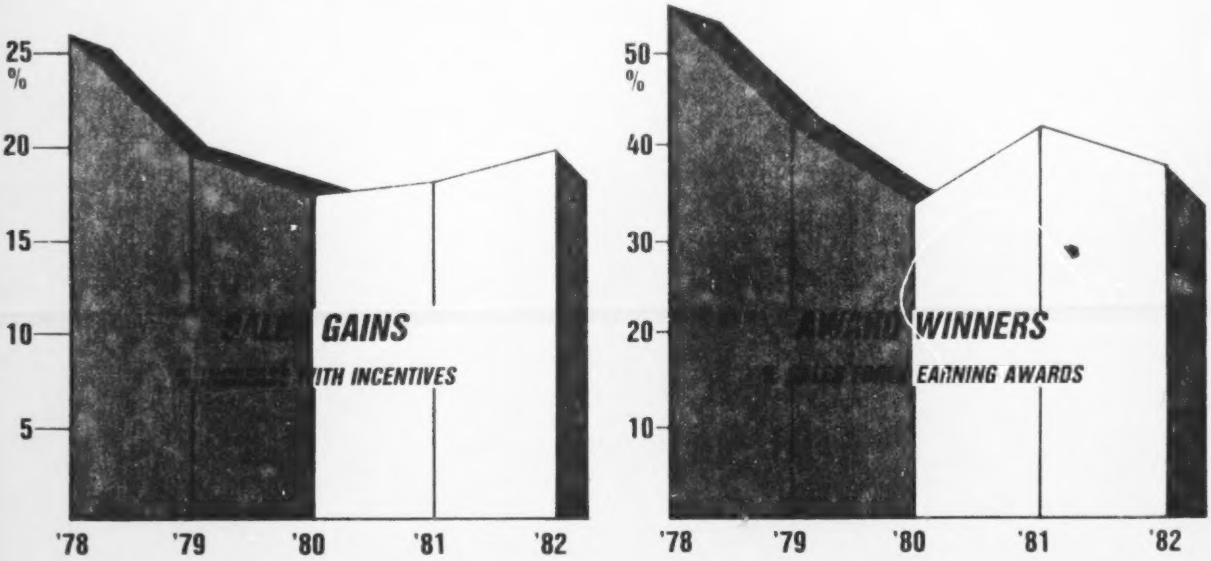
Merchandise

39%	Bought direct from manufacturer
24%	Full service incentive company
24%	Premium rep
22%	Wholesaler jobber of premiums
19%	Specialty advertising distributor

Travel

30%	Retail or local travel agency
24%	Make own travel arrangements
12%	Travel wholesaler or tour operator
11%	Airline, hotel, cruise line
10%	Full service incentive company

And what do they buy? There are three broad choices open to the user of merchandise, and two distinct options with travel. About 35



"This survey group expects better sales increases this year than last, but at a price, with fewer members of the sales force taking home awards." (Key: red area is previous IM survey groups, tan area is this group's experiences & forecast).

percent of the users said they prefer a single premium or small group of merchandise items. Another 23 percent lean toward a stock incentive catalog, while 15 percent like to have a customized catalog produced for their programs.

In the case of travel, individual awards are now favored by 39 percent of the companies, compared with 33 percent who prefer group trips.

This year's questionnaire also asked about the use of "honors/recognition awards (plaques, trophies, etc.)," and 54 percent said they are using such items this year—although that is down from 65 percent who indicated such recognition items used in 1981. It is probable that most of these firms used such awards in addition to merchandise or travel prizes, rather than by themselves.

> ***"It's getting harder to earn awards. Typical user now starts paying award credits at 99% of quota, against 90% last year. And a salesperson now has to hit 120% of quota to earn maximum awards, against 113% needed last year."***

Every incentive user, whatever his or her choices at each step of the planning, timing, selection, promotion and administrative processes, comes to the end of the program with a set of information on results—which must be evaluated in some way. Did we accomplish what we set out to do? Did the sales results measure up? Did the campaign costs stay within budget? *Are we where we wanted to be at the end?*

There are at least eight criteria that can be applied to help measure results—but no completely clear consensus as to which represent the best route. Users in this survey, on the average, employ two and one-third of the measurements listed in the questionnaire.

About two out of three—68 percent—consider "total dollar sales of all products." "Sales of selected products" and "new accounts opened" are the next-favored yardsticks, each used by 36 percent of these executives.

About 34 percent look at "total unit sales of all products," and 33 percent are impressed by "sale of new products." At the low end of the scale, 14 percent measure "increased market share;" 9 percent, "displays placed;" 6 percent have "other" ways of measuring their results; and 3 percent, "dealers signed for promotion."

All of these bench marks tend to overlap the list of sales incentive objectives, as they shoald, and each user must look first at his broad objectives and then determine which of the measures can most surely test its achievement.

But it is not always that easy. "Our business," comments one industrial manufacturer, "is very erratic and unpredictable, which makes it difficult to measure any additional increases that may have been the result of a particular contest."

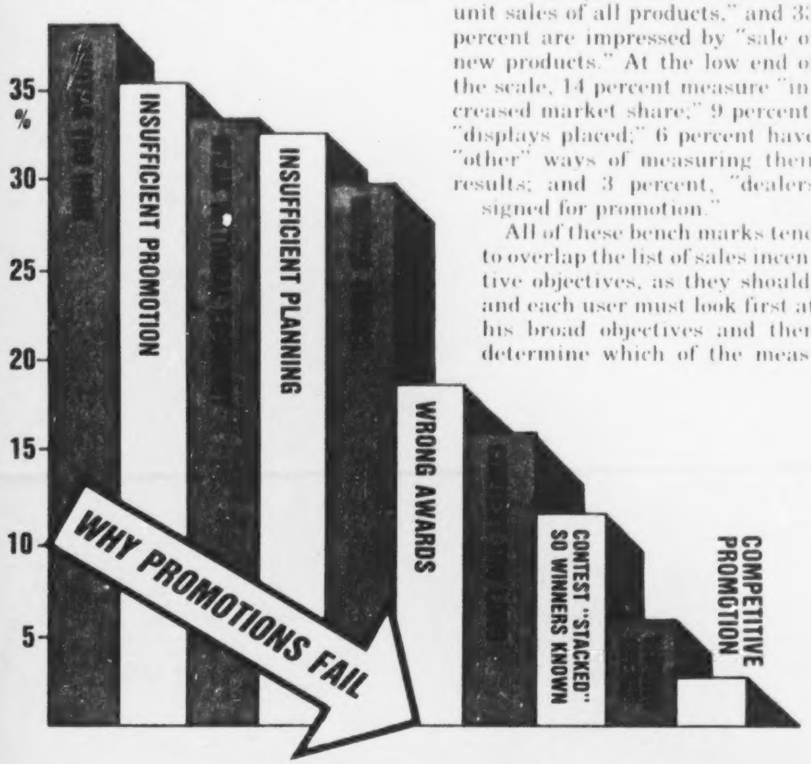
All in all, most of the users responding in our survey have succeeded in making evaluations that, at the least, convince them their incentive efforts are well spent. The area where more effective evaluation would be a major value is in selling the incentive program ideas to top management—an area of much frustration for many executives.

Economic uncertainties in the 1982 business climate, of course, do not enhance the opportunity to forge precise plans—or to evaluate their execution.

Recession begets uncertainties at the same time it makes new demands on marketers. Incentives may help many meet some of those demands—but they will not create miracles.

Yet, with the indicators falling all around us, it would seem that the apparent 7.5 percent increase in dollar outlay for cost effective sales force incentives may in fact be one of the brighter spots in the national picture.

Even if, with inflation, it represents barely standing still, that is significantly better than many other phases of the economy are managing this year. And, more important, the testimony of these 217 incentive users clearly indicates they are either making some gains or at least holding their own. Wait till next year? ■



AUGUST 1982

Incentive Marketing

INCORPORATING **INCENTIVE TRAVEL**

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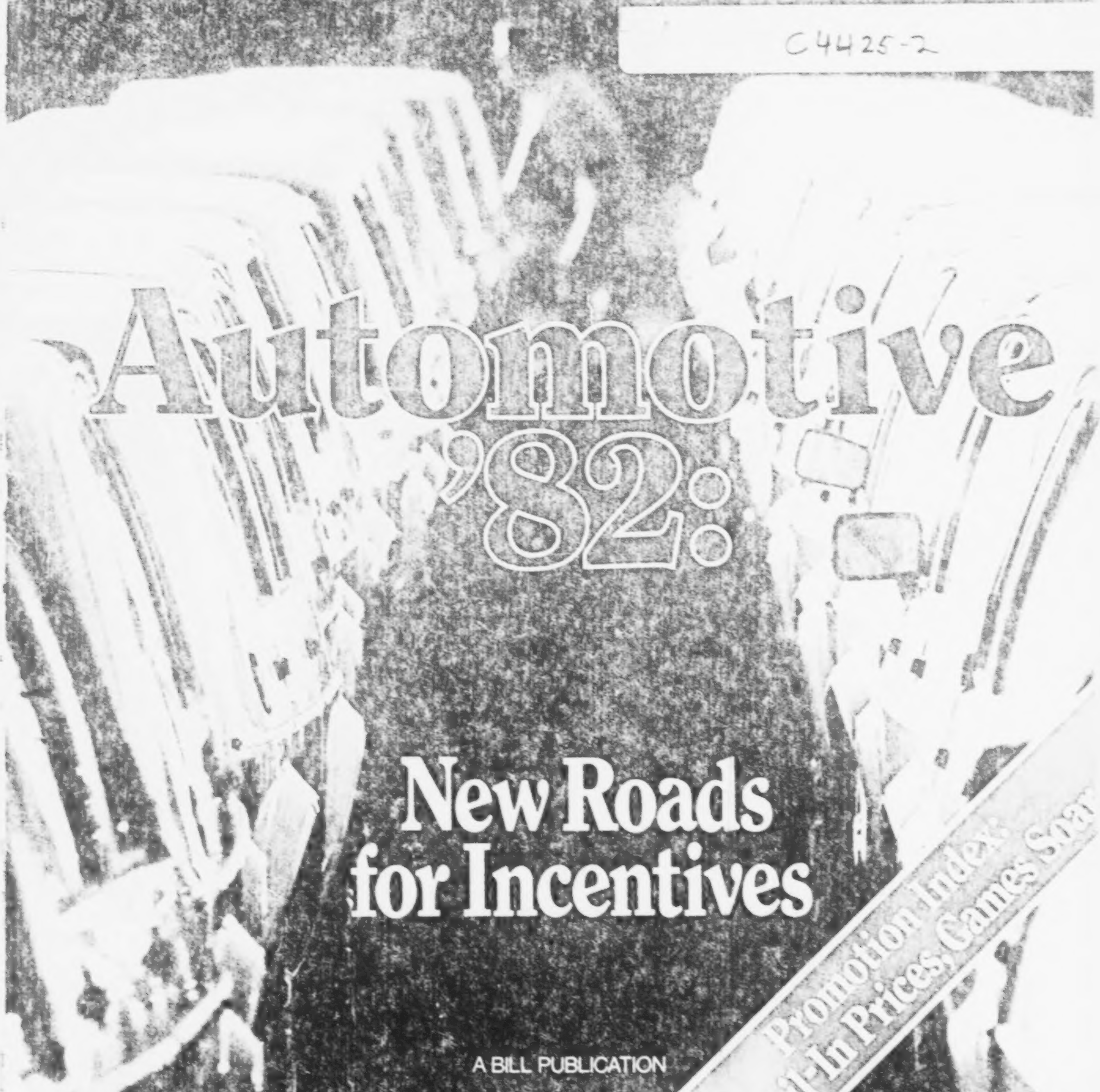

Automotive '82:

New Roads for Incentives

Promotion Index:
Mail-In Prices, Games Soar

A BILL PUBLICATION

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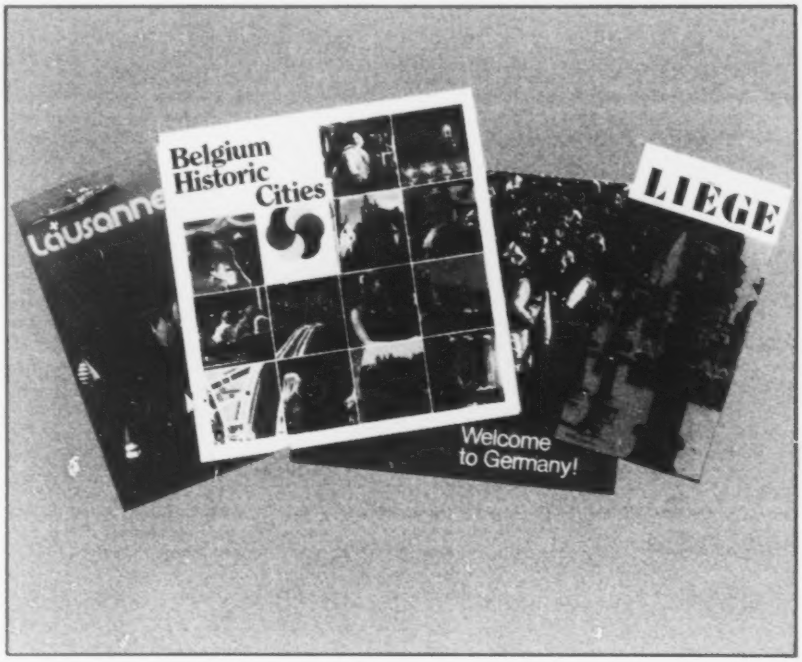

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23 *AUTOMOTIVE '82: NEW ROADS FOR INCENTIVES*—Though the production end of the automotive industry might be ailing, the aftermarket business is booming. Incentives, too, are enjoying a boon in the automotive industry as a whole, to the tune of $647 million. Manufacturers seem to feel that incentives help keep their market more stable, while the aftermarket uses incentives to motivate both end users, and the sales and dealer networks. In this issue, IM looks at both market areas with case histories of selected firms.

27 *AUTOMOTIVE '82 CASE HISTORIES*—

GM Australia: Auto dealers pick an exotic and exciting incentive site—the USA!

Englebert: A tire company's first-ever incentive program is first-class.

Pennsylvania Oil: A new product line calls for a new premium program.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

← Circle No. 104 on Buyer Action Card

Mail-in prices climb to $9.93 in first half of '82

NEW YORK, N.Y. — Two long-term trends continued to dominate consumer premium promotion in the first half of 1982: a steady increase in the price asked for mail-in premiums, and another gain in the sweepstakes & games segment.

To keep track of trends in premium promotion to consumers, **Incentive Marketing** monitors activity in various retail stores and advertising media. In the first half of 1982, 670 manufacturer-sponsored premium promotions were recorded and analyzed. A year ago, 529 promotions were counted.

Mail-ins hit $9.93. In the first half of 1982, the average price of a mail-in premium hit a record $9.93, against just $5.65 a year ago. While a large gain, it is in line with data from an IM survey group, reported in our March issue. That group, primarily heavy users of consumer premiums, reported a median mail-in price to the consumer of about $9.

The mean price—the number mentioned most often—also jumped, for the first time in several years. The mean rose to $1.50, from the $1 level.

The price increase showed up in a general shift towards the higher ends of a pie-chart breakdown. Here is how the breakdown compares this month, against a year ago:

	1982	*1981*
Free	17.0%	31.7%
0.01—99¢	7.5%	0.3%
$1—$4.99	35.0%	30.3%
$5—$9.99	20.8%	21.2%
$10 and up	19.7%	16.5%

More than one-third of the mail-in offers—35 percent—put a claimed retail value on their promotion, against 22 percent stating a retail value a year ago.

Tie-ins strong. No statistics were kept on types of premiums offered in self-liquidating and free mail-in promotions, but some trends were noted. Self-liquidators continued to see heavy use as a way of reinforcing a brand's product statement and selling points:

- Cold Power laundry detergent (Colgate Palmolive) played up its energy-saving theme with a solar-power pocket calculator, offered for $9.99 and two proofs. "Add up your energy savings," notes the ad headline.

> ***"Rub-off and instant winner continue to be the name of the game in games, as these promotions accounted for 18% of all consumer sweeps."***

- Joy dishwashing soap (Procter & Gamble) tied in with its television commercials by offering Corelle dinnerware from Corning. "With this offer, you're all set to shine," states the ad. Terms: $7.25 and one proof for a five-piece service, or $22.50 for a 20-piece collection.

Innovative customized premiums were fewer, but there were ample offers customized by putting a brand's label on a stock item such as a vacuum bottle or T-shirt. Some innovations that did stand out:

- American Home Foods use of a radio shaped like a jar of Gulden's mustard—"perfect for picnics, beach activities," said the ad copy. Radio was $7.95 and one proof.
- An alarm clock from Stanley Home Products, in the shape of a Stanley Powerlock tape measure. "Time to measure up," said ads, offering the yellow-and-silver clock for $12.95.

Marketers continue to find items priced right enough to be offered as free premiums. Standouts included Shulton's offer of a men's leather belt, free for Old Spice proofs, McCall's Active & Easy fashion patterns, free from Geritol, and two offers from Nabisco: a wooden cheese board, free for various snack proofs, and a decorative cookie tin, also free for three proofs.

Rub the right way. Rub-off and instant winner continue to be the name of the game in games, as these promotions accounted for 18 percent of all consumer sweepstakes noted in the first half of 1982. A year ago, they measured 17 percent of the total. Notable once again has been the expansion of these games into just about every product area, with especially notable activity in the automotive and auto parts fields.

Promotion sponsors were evidently feeling a bit more generous in 1982, as measured by the number of prize levels in contests. Here is how the number of prize levels compares with a year ago:

	1982	*1981*
One level	14.2%	17.8%
Two levels	8.5%	11.8%
Three levels	10.0%	22.7%
Four levels	22.0%	23.2%
Five or more	45.3%	24.5%

Typically, lower prize levels are lower-value items such as product samples, posters, recipe booklets, or discount coupons.

Two categories ran neck-and-neck as the most popular grand prizes: cash and travel. Money was the top prize in 31 percent of contests noted, and travel was grand prize in 29 percent. Automobiles were third but used in just nine percent of contests. A combination of these big three (cash and travel, travel and car) was top prize in 20 percent, and other items were featured in 11 percent.

Top users. Food Products continue to be the leading user of consumer premium promotion, accounting for nearly half of the offers noted in the first part of 1982. Here are the major users, and their share of promotion sponsorship for a year ago:

	1982	1981
Food	48.0%	40.8%
Health & Beauty Aids	12.0%	11.8%
Cleaning Aids	8.0%	4.3%
Pet Foods	4.2%	2.2%
Autos, Auto Parts	4.0%	NR
Paper Products	3.0%	2.8%
Soft Drinks	2.5%	2.8%
Alcoholic Beverages	2.3%	4.5%
Appliances	1.6%	2.1%
Tobacco Products	1.4%	1.1%
Miscellaneous	13.0%	24.1%

The miscellaneous category includes publishers, fast food restaurants, airlines, sports equipment, rental car companies, toy manufacturers, clothing, and others. ■

Insurers taking more careful aim with promotions

NEW YORK, NY. — "Target Marketing" is increasingly the direction for incentive programs run by insurance companies, says one expert.

"The major countrywide programs just aren't going to be as important," says Fred E. Dabney II, assistant secretary for sales promotion at The Hartford Insurance Co., Hartford, CT. "You'll see smaller, more regional, and more tightly focused incentive programs, where the company can put the dollars against the highest potential profits."

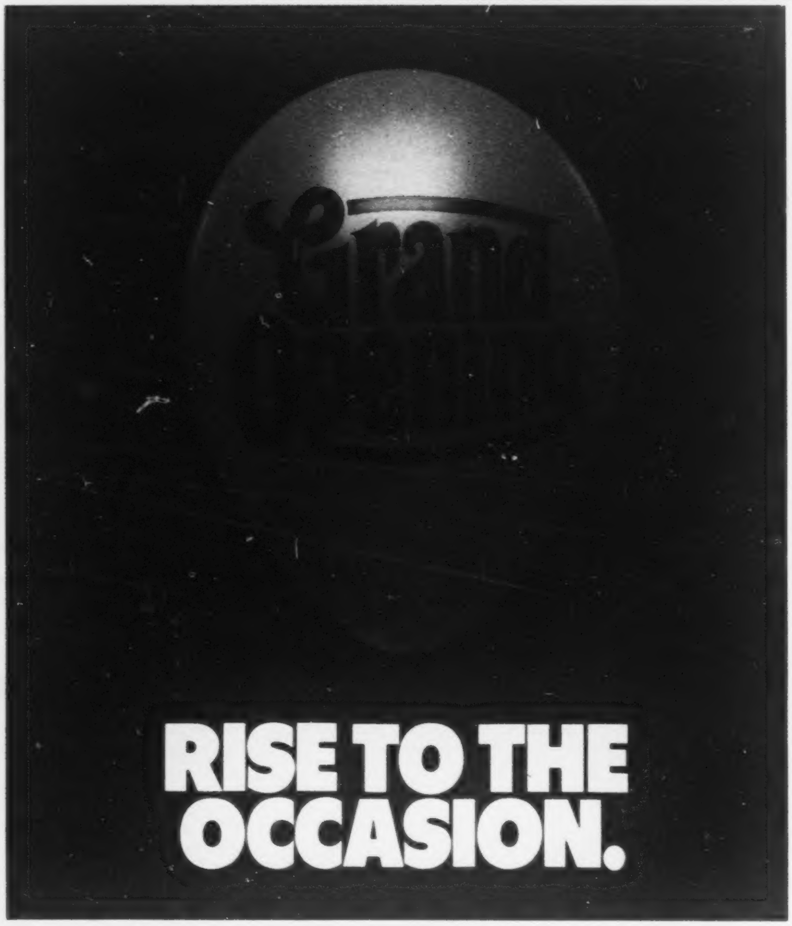
Pick and choose. One reason for this shift in direction is the dollar squeeze the insurance industry finds itself in today, Mr. Dabney told a seminar at the New York Premium Show.

With a target marketing approach, says Mr. Dabney, a company can identify an area of potential growth, develop an insurance package for it, and then go after it. "It's a target segmentation approach to business. We pick out an area, see if it is feasible, and go after it, often putting an incentive on to promote it."

Goodwill abounds. One staple of the insurance industry he expects to see around for a long time is the goodwill premium catalog, offering agents a variety of premiums and gifts they can pass along to customers and prospects.

Mr. Dabney reports one estimate that insurance companies spend as much as $80 million a year on such imprinted business gifts, and notes that The Hartford alone does more than one million dollars a year on its catalog.

Much of the work is done inhouse, by The Hartford's 32-person sales promotion staff, which buys premiums, develops promotion flyers, and administers much of the fulfillment. ■



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Circle No. 110 on Buyer Action Card

Automotive '82:

New Roads For Incentives

Automobile manufacturers today are trimming inventories, cutting salaries, and scrambling to keep afloat.

The aftermarket business, on the other hand, is booming. April 1982 was the 14th consecutive month in which aftermarket volume has shown an increase over year-earlier months. A recent analysis by management consultants Hayes/Hill Inc. shows an increasing demand for the business, as cars get older and the 1.2 percent increase in cars on the road is expected to continue.

How do incentives fit into all of this? About $647 million worth, according to surveys by Incentive Marketing. This breaks down to $238,708,000 for automobile manufacturers—most of which is spent in the sales and dealer area—and $408,329,000 in the aftermarket.

Automobile manufacturers upped their incentive spending 16.8 percent, even though they did not have a "year to remember." The increases were a bit weighted toward travel incentives for salespeople and dealers, up 20.6 and 18.1 percent, respectively.

In fact, travel is a big lure for these two markets, with automobile manufacturers hitting the number three slot among all industries in incentive travel expenditures, at $87,613,000. Right behind, at number four, is the automotive aftermarket, at $85,030,000.

Despite their troubled state, automobile manufacturers seem to feel that incentives help to keep their market more stable, and are worth the extra expense, and the effort. And most dealers

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Circle No. 116 on Buyer Action Card

involved in manufacturer's incentive promotions also pass some form of incentive along to their own sales force.

In the aftermarket, a much more visible promotional group to monitor, **Incentive Marketing** saw 68 promotions offered over the past several months: 36 directed at consumers or end users; 32 to sales and dealer networks.

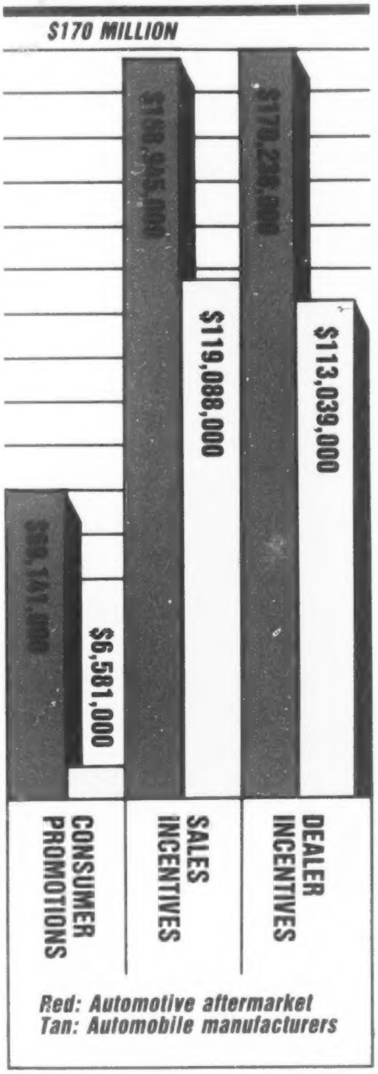
The automotive aftermarket for several years has been tending to move away from its former reliance on heavy incentives to the jobber and dealer trade, and is now more inclined to attempt to motivate all three levels, using promotions with a consumer orientation. This has been accelerated by the trend toward do-it-yourself car repairs and service, which is becoming an important part of the total market.

One incentive trend mentioned recently by several marketing executives is the shift toward sweepstakes and contests. Of the aftermarket incentives directed at sales and dealer networks, slightly more than 40 percent recorded were sweepstakes; while about 22 percent of those promotions aimed at consumers and end users were sweepstakes.

Some good examples:

- From Champion Spark Plugs, Todedo, OH., was a 1982 program offering a free trip to Caesars Palace Grand Prix, Las Vegas. This program played on a technique gaining popularity in general consumer products promotion: consumers had to go to a Champion dealer with their game tickets to "decode the scrambled design to determine the winning message" in the promotion, which indicated the prize. The program also carried over to dealers, as they had the chance to win prizes depending on what their customers won.
- From Stewart-Warner Corp., Chicago, IL., was a counterperson sweepstakes that began by offering cash bonuses for specified sales, with a certain number of bonuses earned giving them a chance in the sweepstakes, with top prize an RCA Selectavision video cassette recorder.
- From Motorcraft, a division of Ford, Dearborn, MI., was a refund offer, overlayed with a sweepstakes offering the chance to "Win the World," with grand prize a 1982 Ford Escort, a trip-for-two to a game of the 1982 World Series, and $5000 cash. Other prizes were a three-day trip to the 1982 World's Fair plus $2000, luxury handcrafted luggage, sport action binoculars, and digital travel clocks. ■

INCENTIVE EXPENDITURES



Red: Automotive aftermarket
Tan: Automobile manufacturers

SEPTEMBER 1982

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

The Business of Business Gifts

Pre-Show Special:
National Premium-Incentive Show Product Guide

A BILL PUBL

BEST AVAILABLE COPY

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78th Year
Volume 156
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24 *THE BUSINESS OF BUSINESS GIFTS*—Though somewhat lower than earlier estimates, business gift expenditures by American firms will reach $926 million this year, according to IM's most recent survey of gift-giving practices. This is a 6.8 percent increase over 1981 expenditures and $19 million less than the expected $945 million estimated earlier in the year. Other survey highlights include the why's, how's, and who's of gift-giving.

33 *GALLERY OF GIFTS*—To help with your gift-giving selections, IM has compiled a Gallery of Gifts featuring hundreds of suggestions, enough to fill all your shopping needs. And to help with finding these suppliers, key-in numbers to IM's Buyer Action Card have been supplied, in addition to booth numbers for these firms—where possible—at the upcoming National Premium/Incentive Show in Chicago, Oct. 11-14.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

Who • What • When • Why How Much ?

There will be more than 50 million business gifts distributed in the United States this year, at an average cost of around $18.50 each—a total of $926 million, according to the latest estimates.

But that total will be somewhat lower than had been anticipated earlier—and the increase over 1981 spending is a smaller-than-inflation percentage.

These gifts will go to customers, both consumer and business—to prospects—to employees—to stockholders, as well as to a variety of other business friends of the donors.

The practice of business-gift giving itself elicits widely different reactions, even from the donors, and many of them are high in emotional content. This year's **IM** survey has brought up a baker's dozen of terms that express those emotions, and they fall into three basic categories.

There is the *benevolent*, expressed by such words as appreciation, friendship, good will, gratitude, and thank-you.

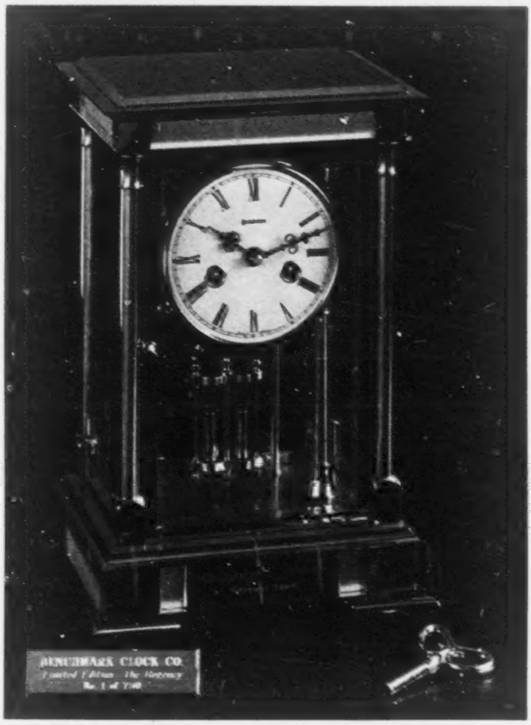
Then we have the *practical*, in such terms as advertising, image-building, reminder, and visibility.

Finally, attitudes ranging from *neutral to cynical* are expressed in terms such as custom, habit, tradition, and necessary evil.

Such reactions to the gift practice show little or no change from year to year . . . and those who love to give keep on doing so . . . while many who say they hate to give continue to do so, nonetheless.

Estimated gift expenditures for 1982 in the last **IM** FACTS survey ran in the area of $945 million, which would have been up just 9 percent from last year's volume. Preliminary readings of the new FACTS data, however, suggest a lower total of $926 million, only 6.8 percent higher than the 1981 gift budget.

Nothing in the specific reports or comments suggests any clear reason for the relatively poor level of gift business—and it must be presumed that it is simply a reflection of a sick economy.



**The Regency.
Benchmark Clock Co.
(Exhibiting at NPIS Booth 747)**

For more information circle No. 1 on Buyer Action Card

The Business of

Business Gifts

Most of the respondents—62 percent—in IM's special survey on business gifts report that, in spite of inflation, they are holding the line on the cost of individual gifts, while 9 percent plan a reduction. Only 29 percent expect to spend more per unit.

The number of recipients on their gift lists is higher than in previous surveys—although these particular users indicate they have cut their lists since last year. The median number of gifts per company among them is 120, compared with 100 in similar groups the past two years. For this selected group, however, the median is down—although they show an overall increase of about 5 percent in the arithmetic average of all the firms' gifts.

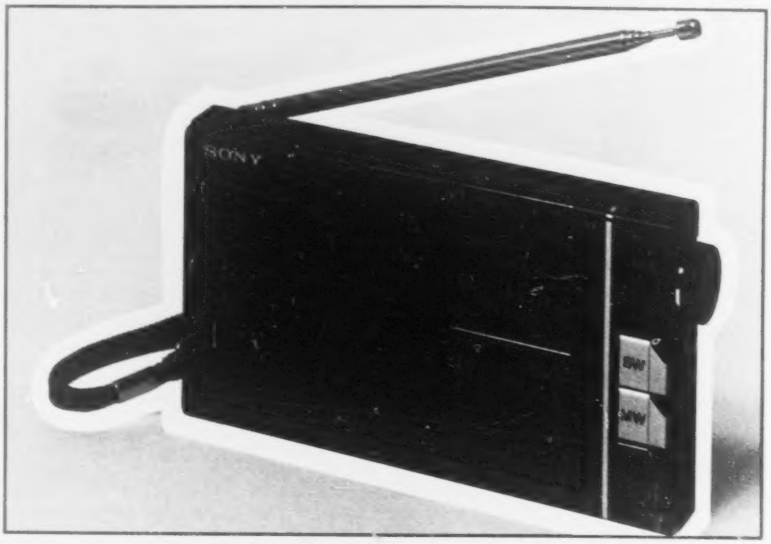
For this special survey, IM sent a questionnaire on business-gift practices to more than 500 early respondents to our 1982 FACTS Census Survey. We received 252 responses, 244 of which were complete and received in time for tabulation. This report of current business-gift practices is based on the answers of those 244 companies.

As always, customers are the most-favored recipients of business gifts. This year's finding shows that 23 percent of the respondents give to "all or most customers"—exactly the same as in the 1981 survey. However, there is some increase in the number of executives who give only to "major customers": 75 percent this year, compared with 68 percent a year ago. This suggests an increase in selectivity, perhaps as a means of containing budgets.

Some 34 percent of these respondents give gifts to their employees, and prospects are the recipients in 18 percent of cases. Only 5 percent give to stockholders, while 6 percent favor other recipients, includ-

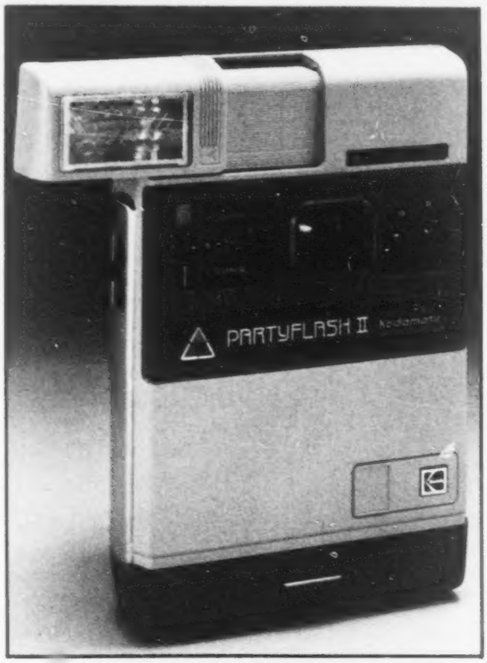
Jasper Giftware.
Wedgwood.

For more information circle No. 2 on Buyer Action Card



Six-bank Pocket World Receiver.
Sony Corp. of America.
(Exhibiting at NPIS Booth 204)

For more information circle No. 3 on Buyer Action Card



Partyflash II Instant Camera.
Eastman Kodak Co.
(Exhibiting at NPIS Booth 2216)

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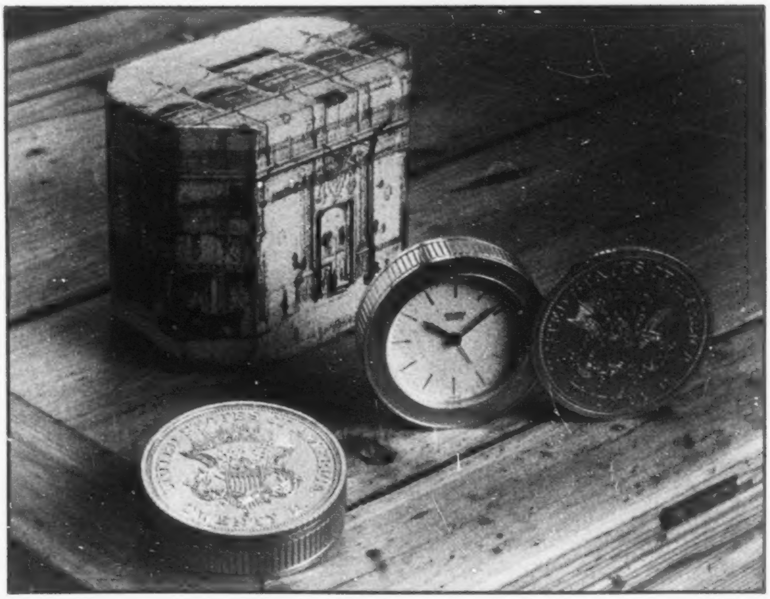


Seiko Clock.
Seiko Time Corp.
(Exhibiting at NPIS Booth 1415)

For more information circle No. 5 on Buyer Action Card

ing a variety of plant visitors, reps, dealers, contractors, and other business friends.

Christmas is still the favorite time for gifts, but there appears to be a slight erosion of its near-monopoly on the practice. The yuletide spirit has had about an 85 percent share of the business-gift pie for many years. It slipped to 78 percent in 1980, and to 74 percent the following year. Now, 68 percent of the executives responding in our survey said they give gifts at Christmas, the lowest report in the history of the surveys.

Gift occasions other than Christmas, however, are distinctly nonspecific. About 7 percent give on company anniversaries, 7 percent at Thanksgiving, 5 percent on birthdays, and 3 percent at New Year's. But the "other" category shows the diversity of the gift practice, with 53 percent indicating they give on "other" occasions, generally unspecified ones. This miscellaneous category, which has grown from a 37 percent mention in the 1981 survey, would include trade shows, plant visits, sales meetings, and other events.

Despite a bit of reduction in the percentage of gifts given at Christmas, buying of gift items has tended to move later in the year among this survey group. September remains a leader at 27 percent, one point ahead of last year's survey finding, but October now equals it. In each month, 27 percent of the surveyed executives buy some gift merchandise. About 68 percent of these respondents buy gift merchandise during the last four months of the year.

Here is how the gift-buying calendar goes, with the total above 100 percent because of multiple answers:

January	*3%*
February	*5%*
March	*6%*
April	*7%*
May	*8%*
June	*9%*
July	*8%*
August	*14%*
September	*27%*
October	*27%*
November	*10%*
December	*4%*

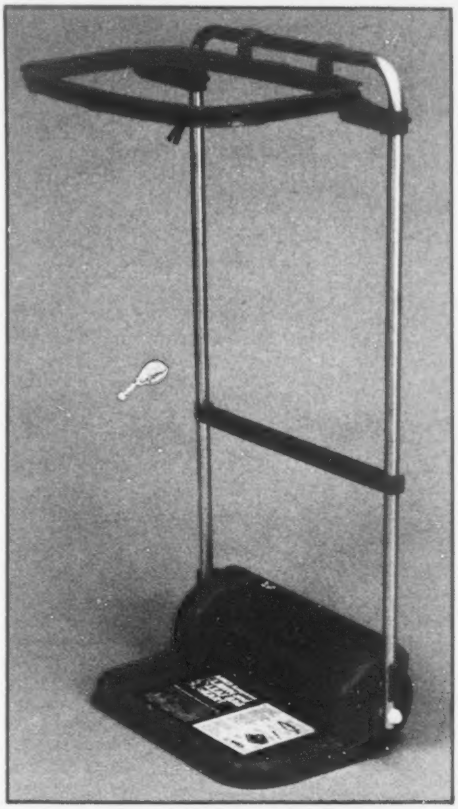
The unit cost of gifts among surveyed executives, after remaining static for several years, has increased substantially among the respondents this year. In 1978, the median expenditure per gift was $15. It dipped to $14 in '79, and then returned to $15 in the following two years. Now, however, the comparable figure is $18.50. However, when some very large figures are eliminated, the median of gifts under $100 is again $15.

Upward pressure is seen in another indicator. The longstanding Internal Revenue Service dictum on deductibility of gift expense—$25—has created a barrier that most executives do not wish to cross, for obvious reasons. But this year's survey shows that 30 percent of gift choices do exceed that limit, compared with 25 percent a year ago.

Although the users in this year's survey appear to be somewhat bigger spenders than those studied in previous years, 26 percent said they have cut back their gift expenditures within the last two years. Two-thirds of those reduced their spending by paring their gift lists, while 46 percent said they spent less per gift, and 10 percent were discontinuing the practice entirely. The total exceeds 100 percent since some chose to cut their lists as well as spend less per unit. About one in six who had reduced gift expenditures previously said they would restore the cuts this year.

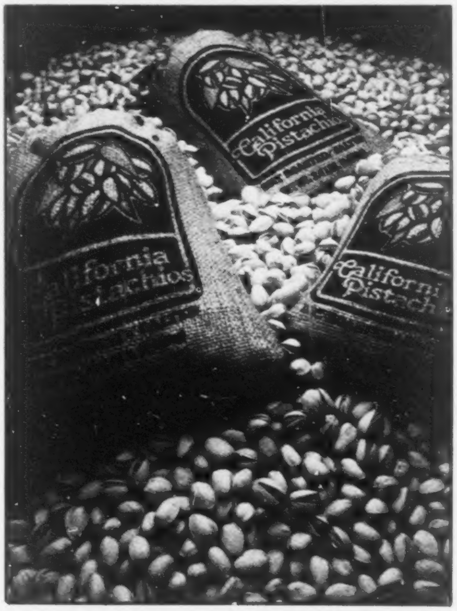
In the matter of what type of gift to give, personal merchandise and desk items have increased in favor this year, compared with last year's survey group, while liquor has lost ground. Few of these executives show exclusive preferences, however, and their choices indicate an average of almost two different sorts of gift per respondent:

	'82	'81
Personal merchandise	57%	51%
Desk items	46%	40%
Food	23%	23%
Choice of several	8%	6%
Home decorative items	23%	27%
Own products	4%	5%
Liquor	16%	25%
Other	6%	NA



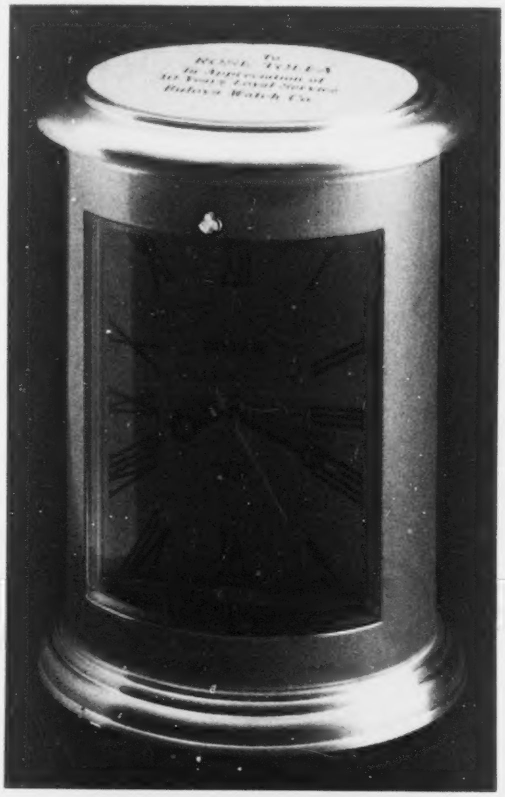
Ames Kangaroo Lawn & Leaf Bag Kart.
McDonough Incentive Division.
(Exhibiting at NPIS Booth 1722)

For more information circle No. 6 on Buyer Action Card



California Pistachios.
Fresno Trading Co.
(Exhibiting at NPIS Booth 7714)

For more information circle No. 7 on Buyer Action Card



Banker Alarm Clock.
Bulova Watch Co. Inc.
(Exhibiting at NPIS
Booth 1807)

For more information circle No. 8 on Buyer Action Card

Stainless Thermal Carafe with Ceramic Mugs.
Corning Glass Works.
(Exhibiting at NPIS
Booth 1903)

For more information circle No. 9 on Buyer Action Card

A further breakdown of gift-giving choices shows a total of 643 gifts named by givers—many are duplicates—which, broken down into 13 product categories, finds Desk Sets & Accessories at the top of the list. 147 gifts fell within this category, including pens and pen sets, diarys, calendars, briefcases and portfolios, paper weights, business card cases, and address books. Here's how the complete breakdown of gift choices ran:

Desk Sets/Accessories	*147*
Home/Decorative Items	*119*
Electronics	*100*
Food	*54*
Personal/Accessories	*48*
Apparel	*32*
Sports Equipment	*31*
Liquor/Wine	*25*
Luggage	*16*
Jewelry	*15*
Watches	*10*
Cameras	*4*
Miscellaneous Items	*42*

Many users, of course, prefer to select gifts individually for each recipient. This necessarily applies where the gift list is small. Others may select two or three different items, of different types or prices, and segment their lists. Over the entire group of 244 companies reporting, there were 486 prices cited—almost exactly two levels for each executive, on the average, though some showed as many as four or five different price ranges for gifts with different purposes.

Those who wish to make their gifts highly personal are very likely to shop for them in retail stores, and that is the source mentioned by 9 percent of this year's respondents. Another 9 percent buy from mail-order firms. But the clear favorite among gift sources is direct purchase from manufacturers, chosen by 53 percent of these executives, compared with 48 percent a year ago. Second choice is incentive reps, who supply gifts to 38 percent of the survey group. Other sources include advertising specialty counselors, 30 percent; wholesalers, 21 percent; premium jobber, incentive house, or stamp company, 18 percent; and "other," 1 percent.

The delivery of gifts varies widely, of course, depending upon the nature of one's business and the recipients. The most common situation, however, is the gift presented by a salesperson at the recipient's place of business.

Salespeople deliver gifts for 65 percent of these survey respondents, in at least some instances, while the executives themselves deliver some gifts in 41 percent of cases. Other methods are parcel delivery services, 29 percent; mail, 25 percent; and messenger, 7 percent.

By whatever means the gift is delivered, it goes to the recipient's place of business 63 percent of the time, these users report; recipient's home, 40 percent; and the giver's place of business, 18 percent.

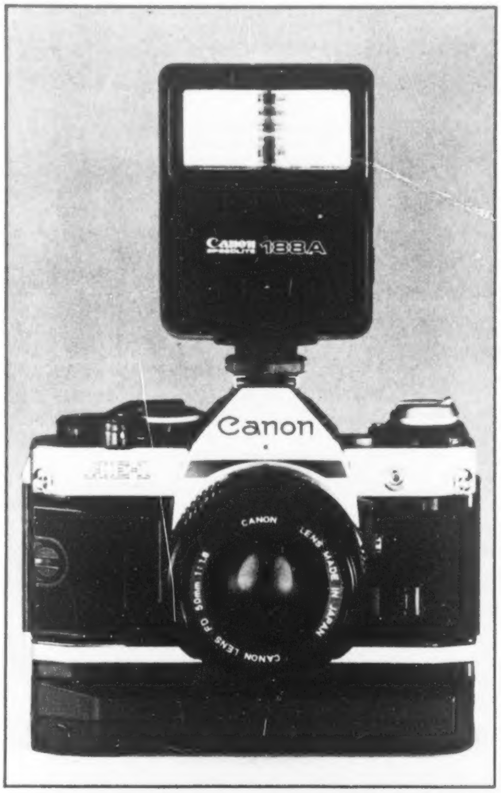
While the delivery may be personal in most cases, the gift is seldom truly personalized—in the sense of being imprinted with the recipient's name or initials. Only 19 percent say they follow that practice, while 70 percent said "no" and 9 percent said they sometimes imprint gifts. Many, however, have the donor's imprint as an advertising reminder.

The 244 gift users in our survey group almost invariably give much more than they receive. On the average, they receive only six business gifts. In some instances, their own companies have policies prohibiting acceptance of gifts.

Such policies, they report, exist in an average of 28 percent of the firms they do business with. Two-thirds do not see an increase in this attitude, although the rest say it is on the rise. This type of policy has its roots in the conception that gift-giving is improper per se, regardless of value or potential to influence a buyer.

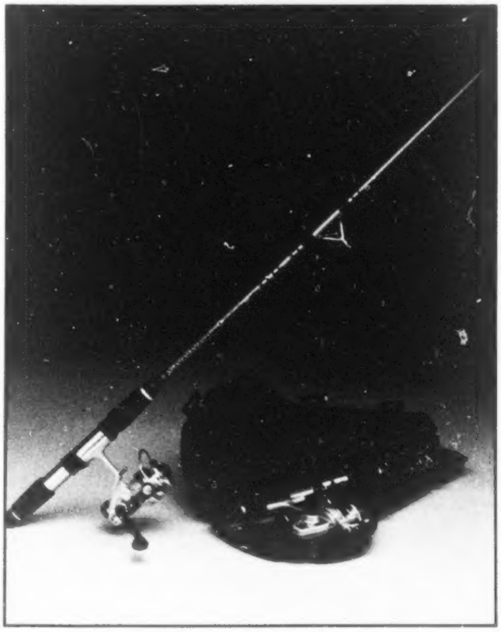
The surveyed executives overwhelmingly deny that their gifts have ever improperly influenced a customer's buying decision: 97 percent gave that response, while the remaining 3 percent admitted to some impropriety.

They are somewhat less certain about the intentions of others who



Canon AE-1, Speedlite & Power Winder.
Canon USA Inc.
(Exhibiting at NPIS Booth 1335)

For more information circle No. 10 on Buyer Action Card



Ultralight Spinning Minisystem.
Daiwa Corp.
(Exhibiting at NPIS Booth 1728)

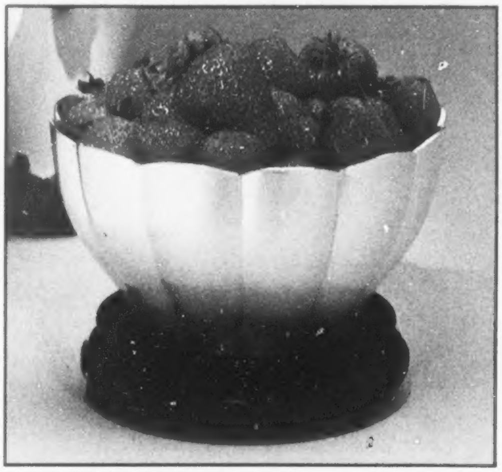
For more information circle No. 11 on Buyer Action Card

An overwhelming denial comes from executives when asked if gifts have ever influenced a customer's buying decision: 97% gave that response, while 3% admitted to some impropriety in the practice.

SUCCESS EXPRESS
VAN HEUSEN ABC INCENTIVE AWARDS

Success Express: Van Heusen ABC Incentive Awards.
The Van Heusen Corporate Markets Co. (Exhibiting at NPIS Booth 1003)

For more information circle No. 12 on Buyer Action Card



Silverplated Fluted Bowl.
Oneida Silversmiths. (Exhibiting at NPIS Booth 2020)

For more information circle No. 13 on Buyer Action Card

have given them gifts, however. In this case, we asked, "Do you believe gifts you received have ever been intended to influence you improperly?" Here 8 percent allowed that possibility—but again a strong majority, 92 percent, took a stand for the proper use of business gifts.

Still, there are those who look askance at the idea of business gifts. Such as the major corporation that will take great pains to return a $13 or $14 gift from a supplier of a $12,000 contract service. Another, dealing in a far more costly product, gives gifts ranging from $10 to as much as $5000 "to keep our name in front of the customer."

A Midwestern manufacturer points out that "our gifts are not intended to influence a person's buying decision. They are intended as a gesture of friendship. They do not have enough value—$25 to $35—to influence a buying decision. We could as easily send a Hallmark card."

The gift "develops a stronger relationship with the customer," says an oil-company executive. "It acts as a reminder. To avoid improper influence, most of our gifts are given after the sale or commitment, or on a random basis with existing customers."

A manufacturer who deals with many U. S. government employees as well as commercial customers has a two-phase program: "Government personnel who are permitted to receive only gifts of little or no intrinsic value, and commercial or foreign customers who can receive gifts of higher value." His gifts start at $1 or less and go up to well over $50.

Getting attention at the right time is an important part of the rationale of business gifts. "We sell high-quality services to the refining, chemical, steel, and marine industries," says J. C. Scheider of Union Carbide. "A need for our service arises when a customer has a problem—it is the intent of the gift to provide a reminder of our company and service if and when a problem occurs that we can solve for him."

An Eastern insurance executive has a similar idea: "As a smaller company competing in a forest of dragons—better-heeled and aggressive with dollars—we have no choice but to remind potential new agents and retail customers that we're alive and well and more efficient."

The reason for giving business gifts is, to a freight executive, "Plain and simple—brownie points. While the gifts may or may not create new business, they can possibly head off a flight to a competitor."

A paper-company executive uses gifts to express "appreciation for past business. We keep the cost under $25 for business gifts so no feeling of being bought could be construed. The only benefit we get is hopefully the customer knows we know he is there."

Most of the users indicate in one way or another that they enjoy giving gifts personally, and this is reflected by John Vallega of Unclaimed Freight Co. in New Jersey: "Simply as a means of showing appreciation for personal and business kindness shown to me. I probably enjoy the sense of giving much more than anything else. It just makes me feel good."

"The idea of gift-giving," one Southeastern executive notes, "started 'way back when' with Three Wise Men! I thoroughly enjoy doing business with all types of executives and firms. I extend business gifts to further develop a friendly atmosphere and an openness in discussing the problem-solving business issues. Businessmen will discuss their inner problems if they feel my concern for the success of their businesses is sincere."

Gifts have, indeed, many historical roots, from the Magi to the Kwakiutl Indians of the Northwest, from the kula of Melanesian tribes to the extravagances of international statesmen. But they also have an obvious modern base in making our commercial relationships a bit more pleasant—and that may go farther to explain their growth than any rationalizations about advertising value, "keeping our name in front of the customer," and similar points.

As in the past, customers are the most-favored recipients of business gifts.

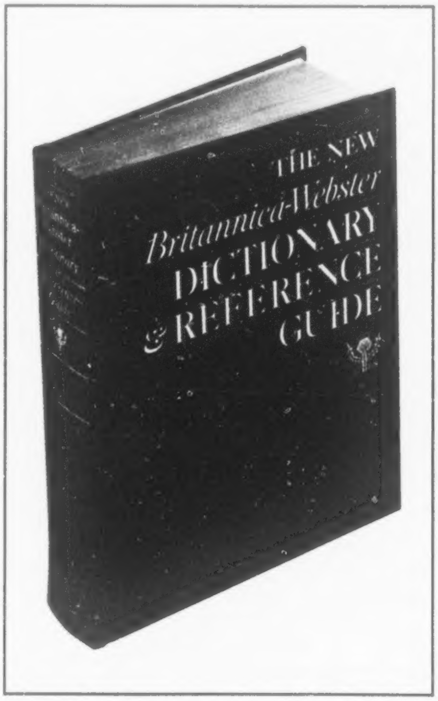
Business gifts are not a tremendous part of the premium and incentive business—a bit over 8 percent of total expenditures. Of more than 1200 gift-using companies whose early reports were tabulated in the 1982 FACTS Census Survey, their average expenditure was something over $14,000 a year; while the median will probably turn out to be closer to $3500.

But gifts just might be the most satisfying part of the field, in purely human terms. Most users tell us, very simply, that it gives them pleasure. Those with a more cynical approach also get their own kind of pleasure from that!

Given the state of the economy, this won't be one of Santa's best years—but the gift spirit is holding up. ■

Hotfingers Ski Gloves.
Wells-Lamont.
(Exhibiting at NPIS Booth 2047)

For more information circle No. 14 on Buyer Action Card



Dictionary & Reference Guide.
Encyclopaedia Brittanica Inc.
(Exhibiting at NPIS Booth 928)

For more information circle No. 15 on Buyer Action Card

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

OCTOBER 1982

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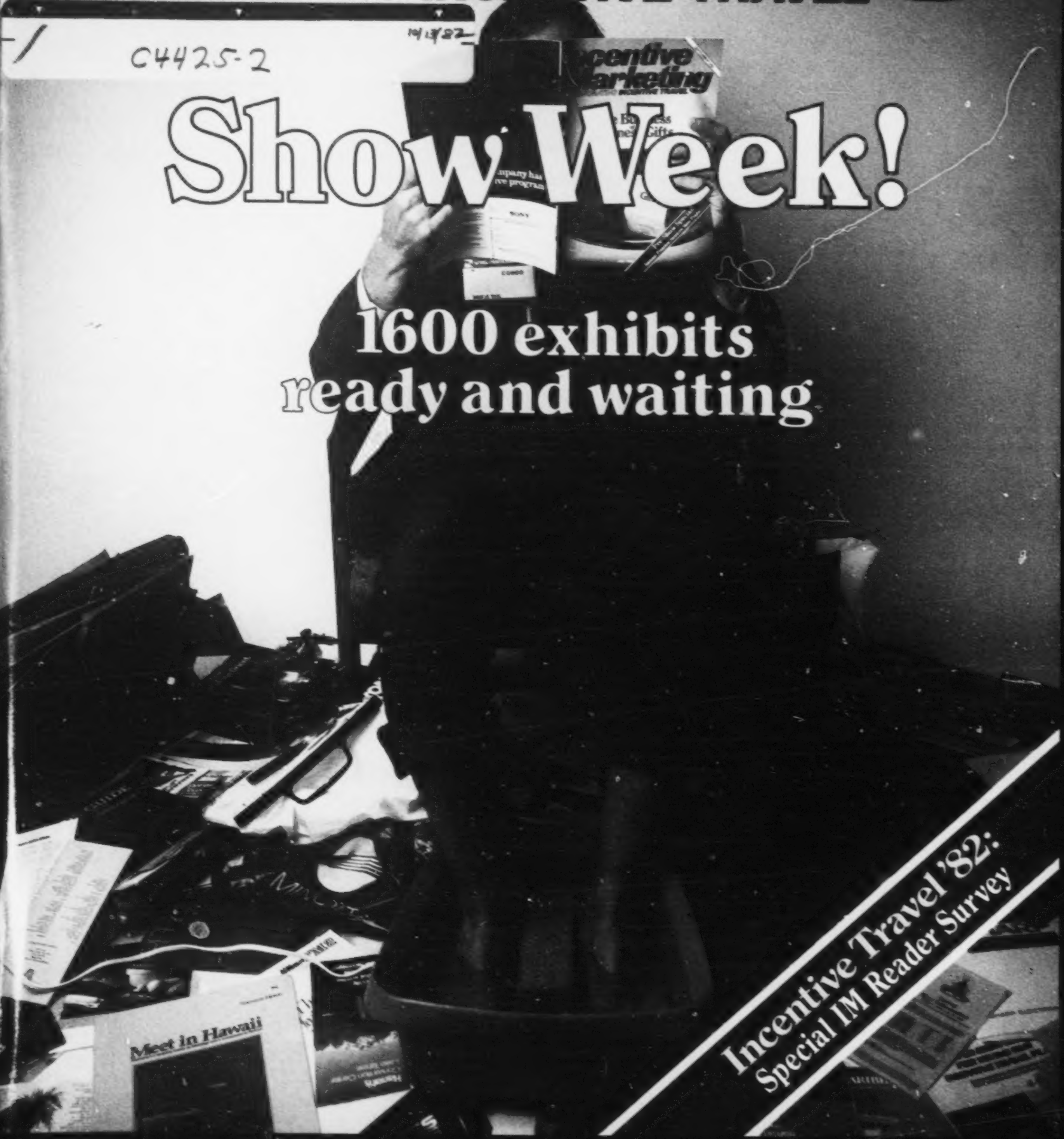


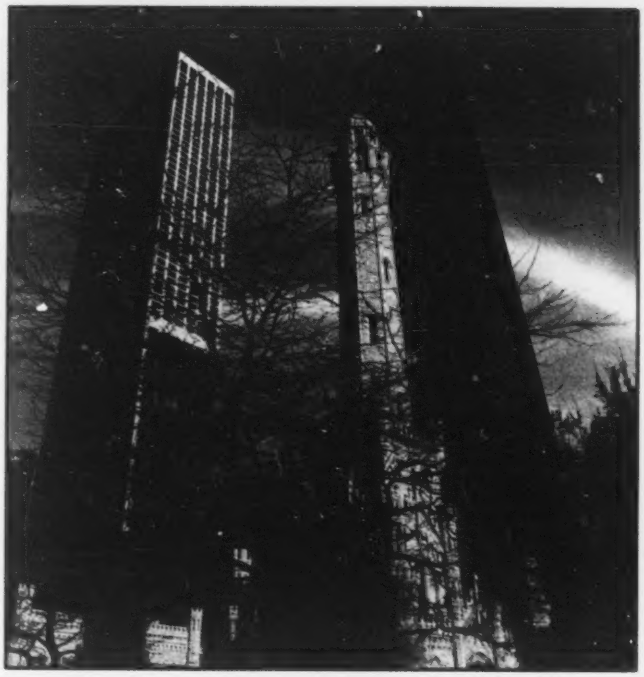
Show Week!

1600 exhibits ready and waiting

Incentive Travel '82: Special IM Reader Survey

Incentive Marketing
Meet in Hawaii

October 1982



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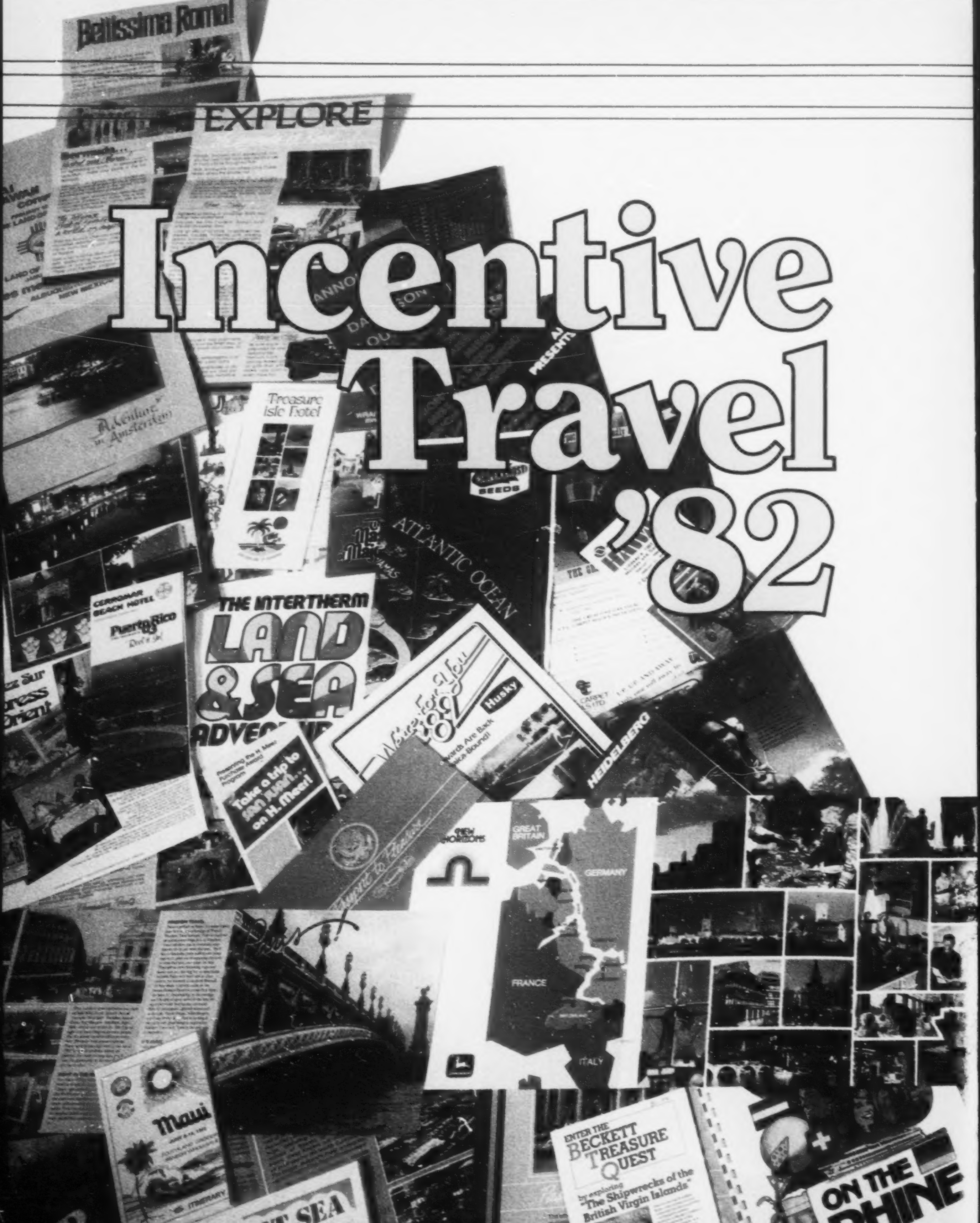
Incentive Travel '82


Bellissima Roma!
EXPLORE
Bermuda...
Treasure Isle Hotel
Adventure in Amsterdam
ATLANTIC OCEAN
SEEDS
CERROMAR BEACH HOTEL
Puerto Rico '83
THE INTERTHERM LAND & SEA ADVENTURE
Husky
Take a trip to SAN JUAN!... on H. Mesa!
HEIDELBERG
NEW HORIZONS
GREAT BRITAIN
GERMANY
FRANCE
ITALY
Maui
V.I.P.
VICTORY AT SEA
ENTER THE BECKETT TREASURE QUEST
by exploring "The Shipwrecks of the British Virgin Islands"
Grand Prize
an expense-paid one-week vacation for two to the British Virgin Islands!
ON THE RHINE
Program Rules

The pace of incentive travel has flagged a bit in the past two years—but that hasn't turned off the mystique that has captivated marketing executives and trip-winners.

An economy on the ropes and an era of weirdly volatile costs has given incentive travel some bumps, after a quarter century of meteoric growth. It is too early to judge whether the slowdown is a temporary aberration or whether travel has begun to lose some of its glitter.

Incentive travel advanced by only 6 percent among a panel of users a year ago; a comparable study now shows an improvement—an 8.3 percent increase in expenditures for motivational travel. A preliminary check of reports in the latest IM FACTS—survey to be published in our December issue—suggests about the same growth rate.

For a field that has expanded 20 times over its 1956 level of just about $50-million, 8.3 percent is a slow-down.

Yet the users of incentive travel are, for the most part, undaunted—and bullish for the sales performance and effectiveness they find in incentive travel.

It appears from the survey data that the slowing of expansion lies more in the lack of new users than in any pull-back by current ones. This may appear to the uninitiated as a poor time to plunge into a new, fairly complex area.

Incentive travel accounted for spending of $988,813,000 in 1980. Forecasts then and projections now—even with slower growth—mark it a $1-billion effort in '81, and still going up.

There was only one change in the pecking order of the major incentive travel users, with the Automobiles & Trucks Industry moving to third place from fourth. However, this may change when final figures are published, in our December FACTS issue.

Here are the leading users of incentive travel, and their 1980 expenditures:

SOUTHERN DISCOVERY 1983
...aboard the QE 2
Bermuda
MEXICO
DIAL-A-TRIP
LAVELLE
"WINNING WAY"
1980-81
ACAPULCO
SIX DAYS OF FUN IN THE SUN
Congoleum
Wonderful World Travel
WONDERFUL WORLD PROGRAM ANNOUNCED FOR 1981
TELEDYNE PENN-UNION
Offers You Best of Both Worlds
Israel
China
Scandinavia
Charter National Life's
1982 Conference Trips
ODYSSEY '82

Hawaii continues to entice visitors with Waikiki Beach, scenery, weather, and the Aloha spirit.

Photos: Hawaii Visitors Bureau

1980 EXPENDITURES

Insurance	$120.8 million
Electronics, Radio, TV	$ 96.7 million
Autos & Trucks	$ 87.6 million
Auto Parts, Tires, Accessories	$ 86.1 million
Farm Equipment	$ 70.7 million
Heating & Air Conditioning	$ 56.0 million
Office Equipment	$ 41.7 million
Electric Appliances	$ 39.7 million
Building Materials	$ 28.9 million
Toiletries & Cosmetics	$ 26.1 million
Feed, Fertilizer, Farm Supplies	$ 24.4 million
Furniture & Floor Coverings	$ 14.5 million

These dozen industries accounted for 70 percent of the money spent on incentive travel in 1980.

Regardless of the industry, however, there may be a bit of slippage in the use of foreign destinations, if the present survey respondents are to be believed, as compared with a similar group a year ago. In the 1981 special survey, when readers were asked to name the destinations they had used in recent programs, 54 percent of the choices were domestic, the rest foreign. In this year's survey among a comparable group, 60 percent of the places named were in the continental US, Hawaii, Puerto Rico and the Virgin Islands.

Florida may have been the biggest gainer in this shift—while Hawaii, although considered domestic, was knocked out of first place among all destinations. Percentagewise, Hawaii did not lose much ground—but Florida went from a 14 percent choice a year ago to 19 percent in this survey.

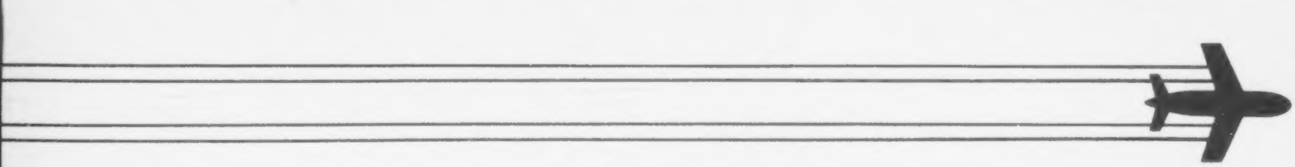
Mexico, previously the second choice overall, as well as the top foreign locale, dropped a number of mentions and now trails both Florida and Hawaii. But New York appears to be the biggest winner, in terms of percentage gains; it went from 1 percent of mentions among US destinations last year to more than 5 percent.

While obviously representing only a small percentage of the incentive trips run last year, the survey does point up how many destinations have come to be regarded as incentive territory. On the domestic site, 38 states and territories are listed—out of a theoretical maximum of 50 states, Puerto Rico, the Virgin Islands, and the District of Columbia.

The suggestion of a shift to domestic, and closer, destinations may be supported by the survey finding that 32 percent of budgets, on the average, are devoted to Transportation among the surveyed executives—compared with 37 percent among a similar group a year ago. This is, in fact, the first time since 1973 that the transportation figure has gone that low. In the past decade, it has generally been in the 35 to 37 percent range.

Hotel Accommodations, the second largest item in the budget, held steady at 27 percent this year as last—but, conversely, this represents one of the highest figures ever reached here. Food & Beverage costs have risen to 17 percent of the typical budget, from 12 percent reported a year ago. This figure has generally been closer to 15 or 17 percent, so the 1982 figure might be considered a return to old patterns, rather than any dramatic upgrading of incentive trip meals.

Other elements of the budget—Promotion Costs, Meetings on site and Miscellaneous costs—have recently been equal, at 8 percent each among these respondents.



In a special survey of selected travel users among IM readers, we received completed questionnaires from 208 executives, and these were tabulated as the basis of this study.

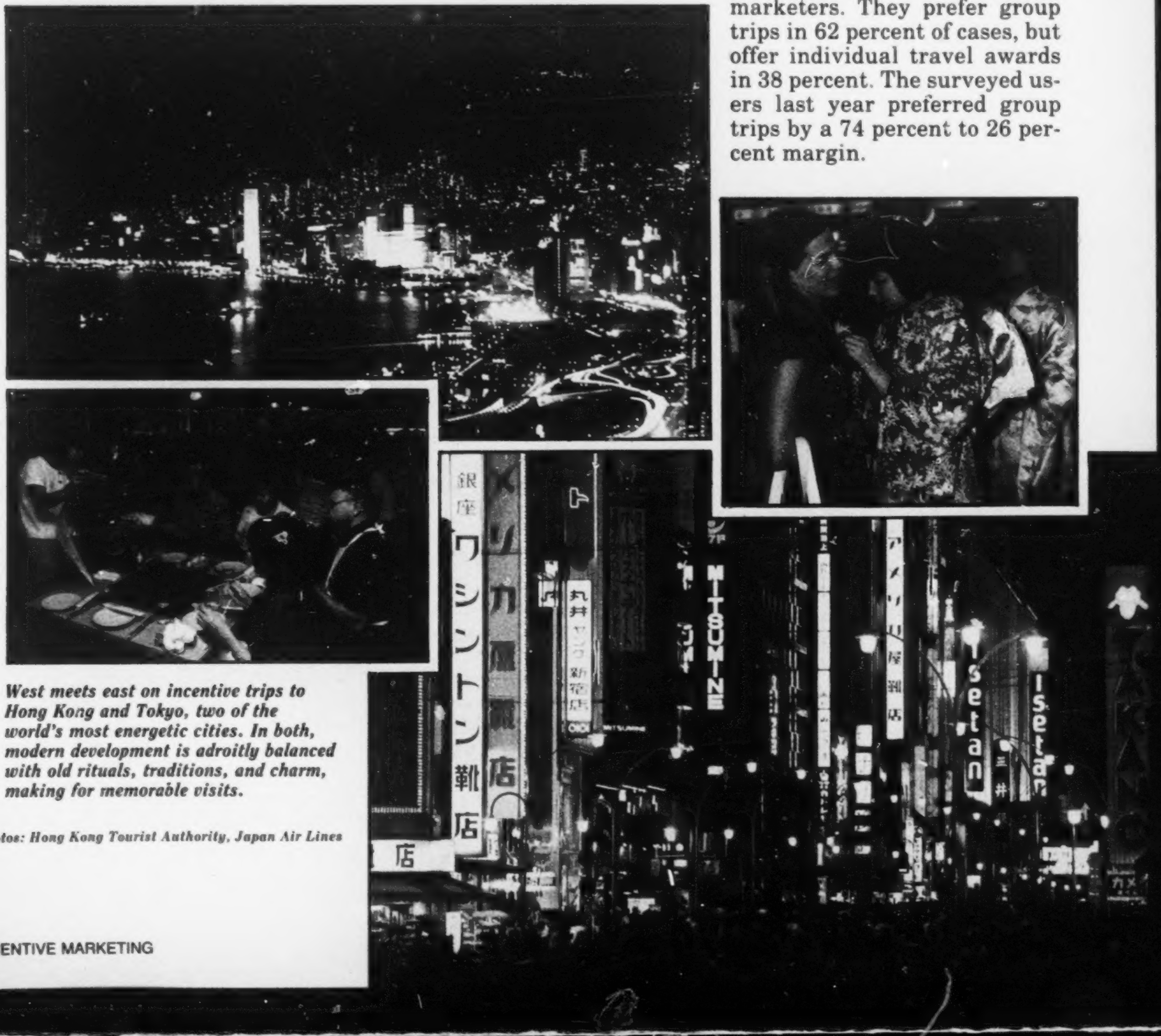
These users generally show an effective use of incentive travel—with overall sales effectiveness changed little, although most costs have risen and participation by company sales personnel has slipped (from 34 percent to 30 percent), while dealer (30 percent) and distributor (33 percent) qualification has improved since last year.

The 208 companies responding in this survey are somewhat larger users of incentive travel than the 196 reporting a year ago—an average of $117,110 in spending for domestic travel this year, and $469,816 for foreign trips. That results in an overall median expenditure of $61,000 per company, compared with a median of only $47,000 in the 1981 study.

In total, their expenditures this year are running at the rate of 8.3 percent ahead of 1981, with approximately an equal growth in both domestic and foreign trips—though the domestic rate is a shade ahead.

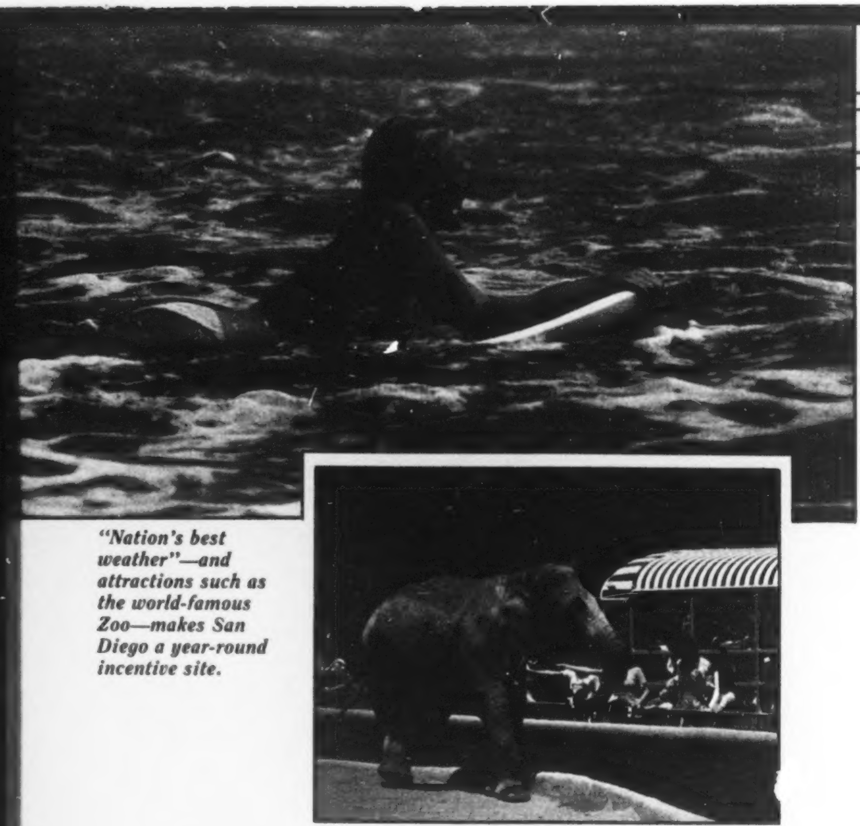
As usual, their primary target is company sales personnel—though only 67 percent gave this indication, compared with 77 percent who promoted to their own people last year. About 28 percent offer incentive travel to dealers, and 23 percent to distributors. Other targeted groups are independent sales reps, 16 percent; direct-selling personnel, 15 percent; distributor salespeople, 14 percent; dealer salespeople, 11 percent; and nonsales personnel, 7 percent. On the average, they offer trips to a bit more than two types of people.

The use of individual trip awards, as opposed to group movements, has increased, if we can believe this sample of marketers. They prefer group trips in 62 percent of cases, but offer individual travel awards in 38 percent. The surveyed users last year preferred group trips by a 74 percent to 26 percent margin.



West meets east on incentive trips to Hong Kong and Tokyo, two of the world's most energetic cities. In both, modern development is adroitly balanced with old rituals, traditions, and charm, making for memorable visits.

Photos: Hong Kong Tourist Authority, Japan Air Lines



"Nation's best weather"—and attractions such as the world-famous Zoo—makes San Diego a year-round incentive site.

Photos: San Diego Convention Bureau

The average number in a group, including spouses in most instances, is 241, but the median number is much smaller—100. They range from as few as 7 persons to 5500 among these users. Only 26 percent said the size of their groups had increased in the past 2 years, while 20 percent reported smaller groups and the rest said their parties were about the same size.

Almost four out of five of these companies include on-site business meetings when they run incentive trips. Some 49 percent of the total group gave that response—amounting to 79 percent of those who said they run group movements. Last year, a smaller number voted for group trips, and 69 percent of them said they do some business at the destination.

When conducting business meetings during the trip, they average 9.7 hours in 3.3 days at the site. This is somewhat shorter than the average total trip time for all the companies—4.9 nights—suggesting that the fun-and-games devotees among them spend more time at it than the more serious types.

The desire to hold meetings or, on the other hand, to stick to a strict diet of fun may be major factors in selecting a destination—but many other considerations enter into it, including where the president of the company spent his last vacation. We asked these executives to rate the importance of 13 different factors that may influence the choice of a site, on a five-point scale.

The available budget goes a long way toward influencing site selection. Given a total cost figure, there will be just so many destinations that could possibly fit, and this naturally narrows the choice greatly. It is no surprise that 80 percent of the respondents considered "Price of total package" important or very important, while only 4 percent rated it of little importance.

Five other factors stood out as important, as represented by the fact that more than twice as many people consider them so as indicated they have little importance. "Well-known destination" (64 percent important, 10 percent unimportant); "Recreation/sports facilities" (60 percent, 15 percent); "Ease of access from around country" (54 percent, 20 percent); "Sightseeing/shopping" (51 percent, 11 percent); "Personal experience" (48 percent, 14 percent).

On the distinctly unimportant side were two criteria—"Incentive house recommendation" (16 percent, 53 percent) and "Sales call by destination rep" (9 percent, 64 percent). On the positive side, but less decisively, were "Past trips we've run there," "Lively nightlife" and "US destination." Getting more negative votes were "Meeting facilities" and "Foreign destination."

Meeting facilities were considered of significant importance by only 34 percent of the respondents—although 49 percent of the companies do conduct meetings on-site. It appears that some are not extremely fussy about the quality of facilities for those meetings.

Since the "price of total package" is not only the most important consideration in site selection, but the keystone of the entire promotional campaign, the process of arriving at the program budget must start first. And you don't build a budget without knowing where the funds are coming from. The simplistic answer is that the funds come from incremental sales. That is clearly what makes the entire exercise worthwhile. But few accounting departments will accept that answer without qualification. The user must devise a

formula to earmark the money.

The "incremental sales" answer is considered workable by only 15 percent of our respondents, who can base their budgeting on a percentage of added sales--an "open-end" budget. The majority—52 percent—work from a "special budget set in advance," which presumably derives from some matching of sales expectations against the needs of the program. Another 20 percent predicate the incentive campaign budget upon a percentage of sales forecast for the promotion period. Some, especially those who are regular users of travel programs, get the money from "regular promotion funds." The total is slightly over 100 percent because of multiple answers by a few executives whose methods apparently vary from program to program. There were also 5 percent who indicated other, unspecified, methods of arriving at a campaign budget.

Although most users do not embrace the concept of open-end budgeting, which permits the results in sales performance to determine the payout, nevertheless most seem to apply it in establishing the pattern of winners. About 75 percent of the surveyed executives say that awards go to "all who reach specified goal"—identified in the questionnaire as "open-end." Only 25 percent elect to work toward a "predetermined number of winners." This seeming dichotomy suggests that many of them have considerable faith in their own ability to forecast the results in terms of qualifiers vs. budgeted funds—or in the company's ability or willingness to be flexible if a budget excess is caused by too much success in the marketplace.

Interrelated with the budget is the question of individual performance quotas. In this survey, 50 percent of the respondents tell us they base quotas on a sales forecast—and the budget is derived from that. Another 30 percent set quotas on the basis of campaign budget requirements previously decided. About 17 percent use other methods.

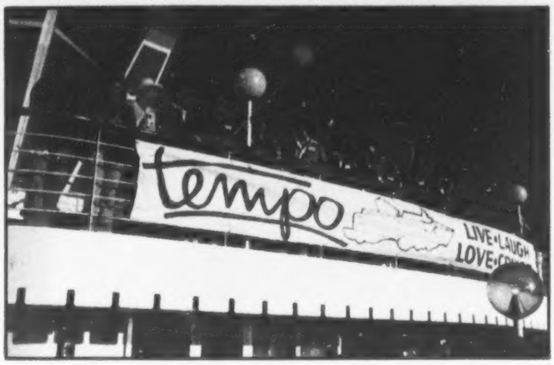
Help on the budget sometimes comes from outside, of course. In cases where incentives are aimed at salespeople of wholesalers or retailers, the employers may pay a portion of the trip cost. On this question, only 15 percent of the executives surveyed indicated they have such a relationship. On the average, the middleman pays 42 percent of the cost of the incentive for his employees. Previous reports on this question have come closer to 50 percent.

Decide on how much money you can spend, pick an exciting destination, and you're all set—right? Distinctly wrong! The successful travel incentive program is an intricate mix of many elements spanning many months, and the planning process is not an easy one.

Plan a series of events for several days, work out details with a hotel and a ground operator, write the campaign rules and award credit schedule, brief field management on the entire program, plan a series of teasers, promotion pieces, rule brochures and other mailings, schedule standings reports, buy suitable gifts or advertising specialties to support a theme, map the complete administration of the program and assign someone to run it, set up contingency plans in case of emergencies, coordinate transportation from different points, devise spouse activities, plan

Photos: Florida Division of Tourism

Beaches, sunshine, sports, sightseeing—they made Florida one of the earliest of incentive destinations, and keep it a favorite today.



Photos: Bahamas Ministry of Tourism

Island-hopping Caribbean cruises, offering several destinations for the price of one, have made cruising a big favorite this year.

meeting agendas and presentations, preregister participants if necessary, and be sure you have answers for all the ifs and buts that will probably come up. That's not all, but it's a start!

Clearly, then, planning a travel incentive program is a lengthy process—for many, a continuous year-round task. The executives in our latest survey spend an average of 37.6 weeks in planning before the start of a trip. This is actually quite a bit shorter than the planning cycle indicated in some previous surveys—46 weeks reported in 1980, for example.

The planning begins, of course, well before the opening of the selling period for trip qualification—in this case, an average of 17.6 weeks before.

The incentive travel unit cost to send a couple to far-off places is at least 10 times the average cost of a merchandise incentive—and may go to 20 or 30 or more times. So it must require a much longer period of time to qualify in most cases. There are reports in the present survey of campaigns as short as 4 to 6 weeks, but they are rare. The overall average selling period is 30 weeks. The maximum runs to 78 weeks. About 30 percent of the users run a year-long program of 52 weeks—and then turn around and start all over again.

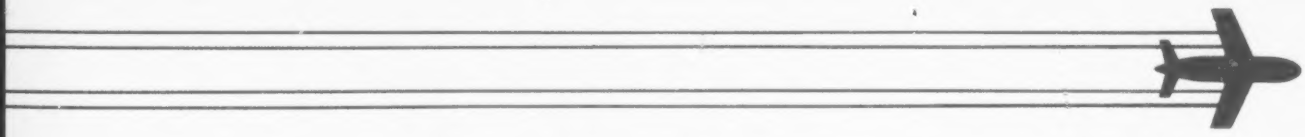
Does it make a difference how the mechanics of the program are handled—what outside help is enlisted in the planning and execution? Surveys have repeatedly shown that users do not consider there is much difference in terms of cost. There is, of course, quite a difference in distribution of workload, and for that reason, among others, a number of users prefer to employ the services of a full-service incentive house to conduct the program. This has grown slightly from a 16 percent preference a year ago to 23 percent in the present survey.

The biggest vote, however, continues to go to the retail travel agent—indicating that, except for basic travel arrangements, the user prefers to maintain in-house control of the campaign operations. About 44 percent choose this approach.

Another 26 percent of these executives work directly with travel suppliers—airlines, hotels, ground operators, and so on. And 7 percent select travel wholesalers to handle the arrangements for their trips.

Despite the strong showing of the retail travel agents as a source, they are probably getting a minor portion of the incentive travel business—mostly from those companies who offer individual travel awards rather than group movements. The individual trip award may amount to little more than making plane reservations and booking a hotel room—whereas the group trip obviously is a vastly more complex matter, dependent upon long-term planning and building in flexibility to accommodate variations in qualification levels.

A minority of users—35 per-



cent—permit buy-ins, letting participants who do not reach full qualification in sales or purchases pay cash for a portion of the trip cost. Those who do provide this option tell us that, on the average, 22 percent of their participants take advantage of it. Some users put qualification points in dollar terms from the outset, making it clear that buy-in becomes an automatic thing for those who don't earn enough trip dollars during the selling period. Many users, however, believe this is a weakening factor—reducing the incentive to achieve full qualification by sales or purchases, and thus partly defeating the purpose of the campaign.

The purpose, however, may be composed of many parts—including one served better by travel than by any other type of motivation: "Boost morale," noted by 39 percent of the respondents. The front-runner, as usual, is "Overall volume increase," which received the votes of 69 percent. Another 45 percent aim their travel programs at selling new accounts, while 42 percent wish to increase market share, 34 percent want to sell their full lines and 29 percent count on the incentive to help introduce new products. In most cases, no single objective satisfies the user—they indicated an average of about 3.5 of the listed objectives.

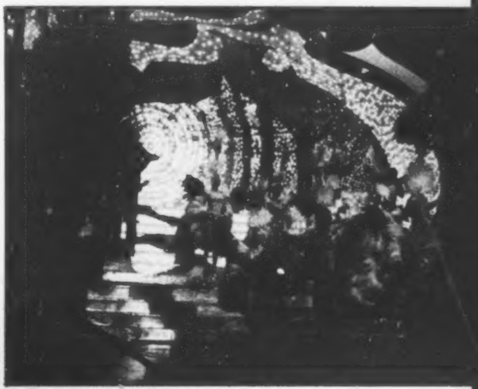
Here are the objectives cited by travel users in our survey:

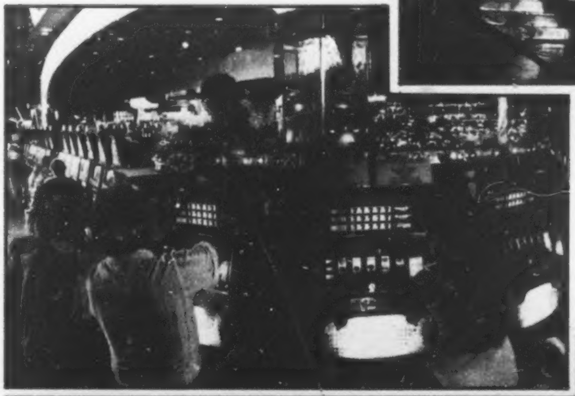
Overall Volume Increase	69%
Sell New Accounts	45%
Increase Market Share	42%
Boost Morale	39%
Sell Full Line	34%
Introduce New Products	29%
Improve Balance of Sales	21%
Sell High-Margin Lines	18%
Bolster Slow Season	14%
Offset Competitive Promotion	11%
Improve Inventory Situation	10%
Aid in Sales Training	7%
Get Store Displays	4%
Support Consumer Promotion	3%

Evaluating results of the campaign—measuring it against the stated objectives—is more art than science for many users. Even with clearly defined yardsticks, the marketer often must wonder whether the incentive program really did the job—or would varying market conditions have resulted in similar sales gains without the incentive? Still, measure he must.

The most common measurement, chosen by 53 percent, is "Total units/dollars sold." Other standards applied include "Percent reaching goal or quota," 45 percent; "Increased market share," 27 percent; "Profit on incremental sales," 14 percent; and "Branch/district performance," 12 percent. Many, as the total indicates, apply more than one touchstone.

Since volume increase is the number-one objective, as well





GOLDEN NUGGET GAMBLING HALL
1905
CASINO
GOLDEN NUGGET
HORSESHOE
BINION'S
GAMBLIN
MINT
HOTEL

Glamour, glitter, girls, and gaudy—it's Las Vegas, of course.

Photos: Las Vegas Visitors Bureau

as the leading evaluation point, that is the place to look for measurement of overall performance. In this year's FACTS survey, all reporting users showed an average gain of 16 percent during both sales incentive and dealer travel programs. The median for salesforce campaigns was 11 percent, while dealer programs had a median of 10 percent. These results were somewhat below those reported in 1981—but almost exactly matched the 1980 findings.

The total cost of achieving these sales gains has changed little since last year, when the median trip cost took a big jump from $1000 to $1500. The average of all reported costs has actually declined somewhat, from $1763 reported by the special-survey group last year to $1710 among these respondents, but with the median remaining at $1500.

Until quite recently, many users set a goal of keeping unit costs under $1000—but this year only 31 percent say that they have been able to run a travel program for $1000 or less. And 39 percent are now paying $2000 or more for each winner's trip.

Here is how travel budgets were reported for this year, and for the previous survey group:

	1982	*1981*
$ 150 — $ 499	2%	3%
$ 500 — $ 699	9%	6%
$ 700 — $ 899	10%	6%
$ 900 — $1099	10%	13%
$1100 — $1299	10%	7%
$1300 — $1499	4%	7%

Devaluation of French franc earlier this year boosted appeal of Paris as incentive site.

Photos: French Gov't Tourist Office

Other lands, other ways: Europe & incentive travel

Incentive travel is a universal motivation tool, but each country applies the concept a bit differently, reflecting national character and, more practically, tax laws. That picture emerged from a seminar sponsored by the Society of Incentive Travel Executives and the British Tourist Authority, held in London in mid-July. About 150 people, most in the British tourism industry, came to hear the varied approaches to incentive travel, and how to capture a share of the market.

The complex picture was put in perspective by Max Cuff, editor of the London-based Incentive Marketing & Sales Promotion magazine (no relation to this publication). "Instead of talking about the incentive travel industry, we should be talking about the English incentive travel industry, the Dutch incentive industry, the Italian, and so on."

As a general rule, he says, the further south the country, the more relaxed the attitude toward incentive travel. Italy, for example, has a surprisingly active incentive travel business, frequently sending groups as far afield as Hong Kong, Bali, and the United States of America.

In the northern countries, however, "there is a certain stigma attached to 'salesmen's perks,' and companies are often cagey about giving details. In Britain and Scandinavia, the incentive planner also has to cope with problems of taxation. In other nations, still other regulations apply, leaving each country with its own way of doing things and its own particular approach."

The American speakers, for example, outlined the familiar format of a promotion campaign directed at the contestant's home address, and offering a luxury trip for winner and spouse.

At the other extreme, the sales promotion manager for Germany's second largest insurance company was nearly finished with his speech before thinking to mention that his trips, to Italy and Morocco, for example, are trips for one—the winner only. He explained that agents would resist the home-directed promotion so popular in US campaigns, and wouldn't tolerate any nonsense about their going off to Italy for a week with

$1500 — $1599	12%	11%
$1600 — $1999	4%	9%
$2000 — $2999	31%	24%
$3000 or more	8%	4%

In sales-effectiveness, as measured against incremental sales, there has been an improvement in the average performance, but the median experience remains unchanged in the past year. A year ago, the special survey found an average of 13 percent of added sales spent for the travel incentive program, and this year's comparable number is only 10 percent. For both years, however, the median cost was 7 percent of the incremental sales achieved during the promotion. Despite rising unit costs, this is a better bottom-line result than had been achieved in most recent years.

Good results are the rule, happily—but there are sure to be exceptions. What can cause the failure of an incentive travel program, we asked the executives in this survey, listing ten possible factors that could contribute to a campaign's missing its mark.

Clear winner among losers was "Sales targets too high," cited by 42 percent of the users. "Insufficient promotion" and "Insufficient planning" followed, mentioned by 32 percent and 31 percent, respectively.

The national economy was the culprit chosen by 30 percent of these respondents, while 22 percent noted "Wrong site for this group" and 21 percent said "Trip didn't meet ex-

the boys.

Beyond that, however, the company—Hamburg-Mannheimer Insurance, with 10,000 agents in Germany—follows a familiar pattern of trips starting with a visit to the Berlin home office and leading up to a Mediterranean cruise.

Mr. Cuff's incentive magazine surveyed the incentive travel habits of northern European countries: spending habits comparable to those of American companies; similar destination preferences; opting for warm and sunny climates. And yet the groups are reportedly smaller.

About one-quarter of the sample reports spend $750 per person, while another 37 percent spend $1500 per winner. Group size was smaller, with just over half reporting incentive groups of 25 or fewer people, and less than five percent fielding groups of 250 or more.

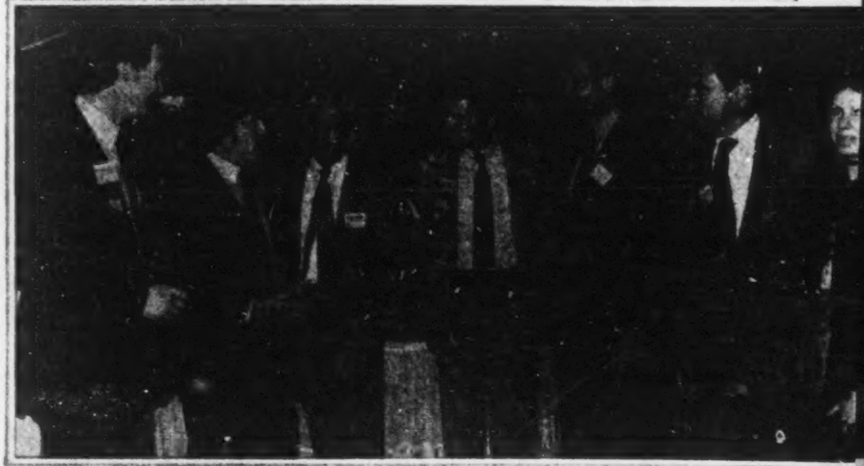
Spain topped the destination list. There was no strong second choice, with various European countries and the US most often mentioned. Only about five percent reported staying within their own borders. But, adjusting for the smaller travel distances, Mr. Cuff observes that "Europeans tend to remain within what might be called 'metropolitan Europe,' while Americans can go much further and still remain within 'metropolitan USA' ".

Asked about the future, most companies were optimistic, with 70 percent planning to spend the same or more, and only 10 percent planning cutbacks.

Statistics aside, Mr. Cuff observes that Europeans will accept treatment at which Americans bristle, and vice versa. "Europeans, for instance, will usually accept smaller rooms than their American counterparts, while Americans are often more tolerant of lapses in service and culinary standards.

"Most Europeans, with the notable exception of the British, and perhaps the Dutch, take their food more seriously than do Americans. When dealing with an incoming European group, make sure there is no misunderstanding about the food." He recounts the woes of one New York City hotel manager trying to please a European incentive group: "The most traumatic experience for the hotel is mealtime."

Differences aside, the concepts are the same. "In western Europe, as in North America, incentive travel is an area of marketing, rather than simply another form of tourism. The travel element is only one part of the overall package." ■



At the seminar: Richard Batchelor, BTA; Brian Stack, president of SITE; Jim McNabb, McNabb & Associates; Jim Hogg, Incentive Marketing; David Spain, BTA; Richard Ross, The Tri-Companies; Maggie Cambridge, BTA.

pectations." About 19 percent blamed too long a contest period, while 7 percent indicated too short a term. Other failure factors noted were "Wrong time of year," 12 percent, and "Competitive promotion," 5 percent. The users mentioned an average of more than two potential problems each.

But incentive travel users don't plan to fail, and most in the survey are optimistic. Asked about their plans for 1983-84, 27 percent said they intend to spend more for travel programs, and 49 percent will continue their programs at about the same level. Only 18 percent stated they hope to spend less; 6 percent did not answer the question.

The relative slowdown in the expansion of incentive travel may signal a new maturity—such rapid growth could not go on forever. Or the slowdown may be a function of an economy that makes the long-term planning of a travel program much more difficult.

But one thing it does not show—as demonstrated by the users in this survey—is any weakening of the allure of travel and its ability to motivate people to superior performance. That, certainly, is still good for a long haul. ■

Where in the World? IM survey choices

UNITED STATES

- ***54 Florida***
  - 8 Orlando/Disney World
  - 5 Miami
  - 3 Key Biscayne
  - 2 Captiva Island
  - 2 Marco Island
  - 2 Palm Beach
  - 2 Tampa
  - 1 Boca Raton
  - 1 Greenleaf
  - 1 Longboat Key
  - 1 Sanibel Island
- ***51 Hawaii***
  - 1 Honolulu
  - 1 Oahu
- ***36 Nevada***
  - 21 Las Vegas
  - 9 Tahoe
  - 5 Reno
- ***32 California***
  - 12 San Francisco
  - 7 San Diego
  - 2 Disneyland
  - 2 La Costa
  - 2 Los Angeles
  - 1 Palm Springs
- ***16 Puerto Rico***
  - 3 San Juan
- ***15 New York***
  - 1 Cooperstown
  - 1 Hidden Valley Ranch
- ***10 Arizona***
  - 6 Phoenix
  - 2 Scottsdale
- ***9 South Carolina***
  - 9 Hilton Head
- ***7 Virgin Islands***
  - 4 St. Thomas
  - 1 St. Croix
  - 1 Frenchman's Reef
- ***6 Louisiana***
  - 6 New Orleans
- ***5 Colorado***
  - 2 Denver
  - 2 Vail
- ***5 Illinois***
  - 5 Chicago
- ***5 Texas***
  - 4 Dallas
- ***4 Massachusetts***
  - 3 Cape Cod
  - 1 Boston
- ***4 Pennsylvania***
  - 1 Poconos
  - 1 Philadelphia
  - 1 7 Springs
- ***3 Michigan***
  - 1 Grand Harbor
  - 1 Mackinac
- ***3 New Jersey***
  - 3 Atlantic City
- ***2 Alaska***
  - 1 Alaska Cruise
- ***2 Georgia***
  - 1 Atlanta
  - 1 Savannah
- ***2 Tennessee***
  - 2 Opryland/Nashville
- ***2 Vermont***
  - 1 Woodstock Inn
- ***2 Virginia***
  - 2 Williamsburg
- ***2 Washington D.C.***
- ***1 Arkansas***
  - 1 Ozarks
- ***1 Idaho***
  - 1 Sun Valley
- ***1 Indiana***
  - 1 Indianapolis
- ***1 Kentucky***
  - 1 Louisville
- ***1 Maryland***
  - 1 Baltimore
- ***1 Minnesota***
  - 1 Minneapolis
- ***1 New Hampshire***
- ***1 North Carolina***
  - 1 Pinehurst
- ***1 Pennsylvania***
  - 1 Pittsburgh
- ***1 Oklahoma***
- ***1 Oregon***
- ***1 Washington***
  - 1 Sun Mountain Lodge
- ***1 West Virginia***
  - 1 Greenbriar
- ***1 Wisconsin***
  - 1 Lake Geneva
- ***1 Wyoming***
  - 1 Jackson Hole

FOREIGN

- ***43 Mexico***
- ***28 Bahamas***
- ***13 Caribbean Cruise***
- ***11 Bermuda***
- ***10 Canada***
- ***10 England***
- ***10 Spain***
- ***8 Jamaica***
- ***7 France***
- ***6 Switzerland***
- ***4 Aruba***
- ***4 Hong Kong***
- ***3 Dominican Republic***
- ***3 Israel***
- ***3 Monte Carlo***
- ***3 Morocco***
- ***3 St. Maarten***
- ***3 Tahiti***
- ***2 Austria***
- ***2 Germany***
- ***2 Ireland***
- ***2 Japan***
- ***2 Greece***
- ***1 Barbados***
- ***1 Costa Rica***
- ***1 Korea***
- ***1 Yugoslavia***